

TOWN OF ELLINGTON

BASIC FINANCIAL STATEMENTS

AS OF JUNE 30, 2005

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

AND

FEDERAL AND STATE
SINGLE AUDIT REPORTS



CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

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CARLIN, CHARRON & ROSEN, LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Finance of the
Town of Ellington, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut (the "Town"), as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2005 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut as of and for the year ended June 30, 2005, and have issued our report thereon dated December 5, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules of federal awards and state financial assistance are presented for additional purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Act and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut as of and for the year ended June 30, 2005, and have issued our report thereon dated December 5, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carlin, Charron & Rosen, LLP

Glastonbury, Connecticut
December 5, 2005

Management's Discussion and Analysis

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Ellington, Connecticut (the "Town"), offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$54,184,646 (net assets). Of this amount, \$6,387,454 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's changes in net assets for the year ended June 30, 2005 amounted to \$1,063,355 or 2% in comparison to the prior year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,561,648, a decrease of \$1,889,061 in comparison with the prior year. This decrease is primarily due to unanticipated construction costs for the High School and Center School projects. Of this amount 95.3% or \$2,442,329 of governmental ending fund balances are available for spending at the Town's discretion (unreserved and undesignated fund balance).
- At the end of the close of the current fiscal year, unreserved fund balance for the general fund was \$590,175 or 1.6% of total general fund expenditures. Designations of unreserved fund balance for future "Capital Reserves", other "Capital and Nonrecurring" and compensated absences requirements totaled \$2,868,843 at June 30, 2005.
- The Town's total long-term bonded debt had a net decrease of \$2,089,900 or 8.0% during the current fiscal year due to the regularly scheduled principal repayments.
- Effective January 1, 2003, Town Charter Section 1004, now requires the Board of Finance to designate 5 to 7% of the operating budget to support the working capital requirements of the Town. Amounts designated for "Capital Reserves" totaled \$1,942,608, or 5.5% of the budgetary expenditures for the year ended June 30, 2005.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, boards and agencies, public safety, public works, recreation, library, social service, town properties and education. The business-type activities of the Town include sewer activities.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Government Funds (Continued)

The Town maintains 34 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the High School/Center School Project Fund, both of which are considered to be major funds. Data from the other 32 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer operations.

The Town maintains 5 individual enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the Sewer Authority Fund, the Hockanum River Fund and the Crystal Lake Sewers Fund, all of which are considered to be major funds. Data from the other 2 enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains combining and individual fund statements and schedules that can be found on pages 53-83 of this report.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Over time, net assets may serve as one measure of a government's financial position. Total net assets (governmental and business-type activities combined) of the Town totaled \$54,184,646 and \$53,121,291 for the years ended June 30, 2005 and 2004, respectively, and are summarized as follows:

Town of Ellington Net Assets June 30, 2005

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 6,770,102	\$ 4,827,105	\$ 11,597,207
Capital assets	60,588,615	10,786,177	71,374,792
Total assets	<u>67,358,717</u>	<u>15,613,282</u>	<u>82,971,999</u>
Long-term debt outstanding	23,097,242	2,066,900	25,164,142
Other liabilities	2,372,264	1,250,947	3,623,211
Total liabilities	<u>25,469,506</u>	<u>3,317,847</u>	<u>28,787,353</u>
Net assets:			
Invested in capital assets, net of related debt	38,428,875	8,719,376	47,148,251
Restricted	648,941	-	648,941
Unrestricted	2,811,395	3,576,059	6,387,454
Total net assets	<u>\$ 41,889,211</u>	<u>\$ 12,295,435</u>	<u>\$ 54,184,646</u>

Town of Ellington Net Assets June 30, 2004

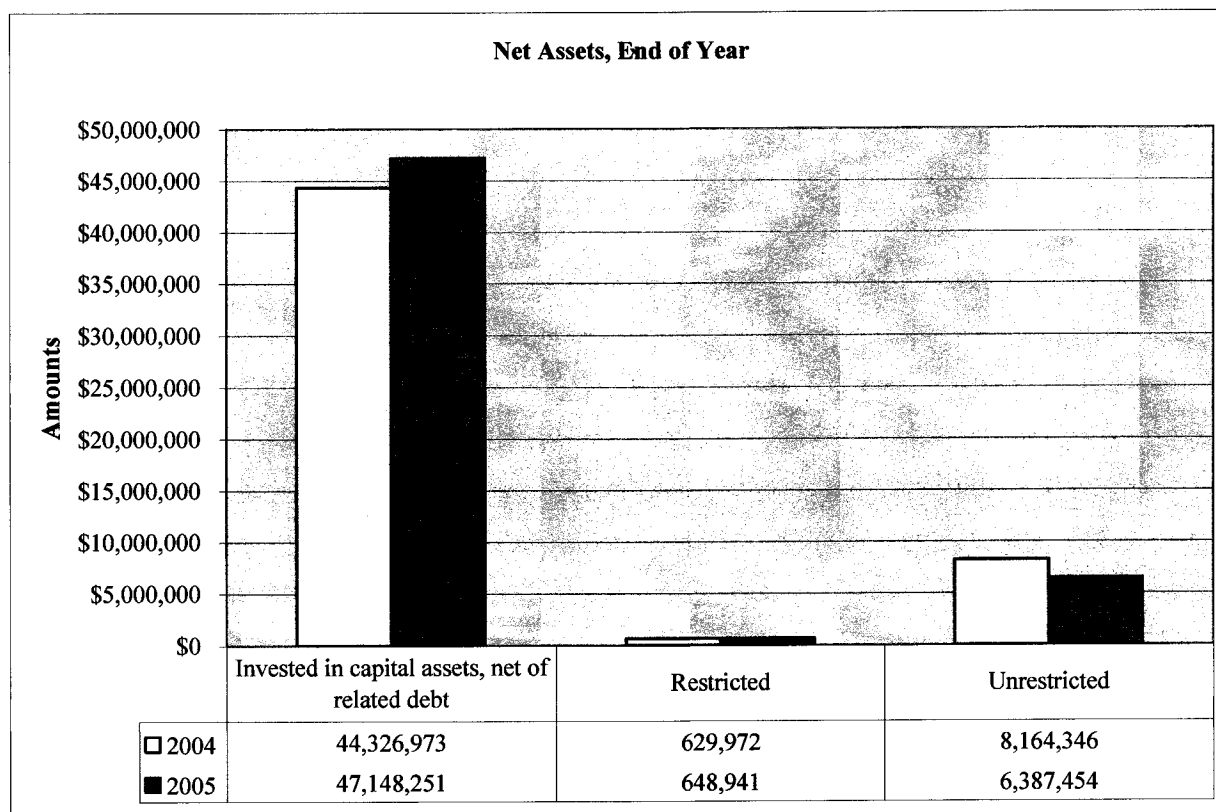
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,876,764	\$ 4,485,623	\$ 13,362,387
Capital assets	59,782,094	10,822,744	70,604,838
Total assets	<u>68,658,858</u>	<u>15,308,367</u>	<u>83,967,225</u>
Long-term debt outstanding	24,896,994	2,349,300	27,246,294
Other liabilities	2,442,233	1,157,407	3,599,640
Total liabilities	<u>27,339,227</u>	<u>3,506,707</u>	<u>30,845,934</u>
Net assets:			
Invested in capital assets, net of related debt	35,853,529	8,473,444	44,326,973
Restricted	629,972	-	629,972
Unrestricted	4,836,130	3,328,216	8,164,346
Total net assets	<u>\$ 41,319,631</u>	<u>\$ 11,801,660</u>	<u>\$ 53,121,291</u>

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Assets *(Continued)*



87.0% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

1.2% of the Town's net assets are subject to external restrictions on how they may be used and are therefore presented as restricted net assets.

The remainder of the Town's net assets are considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net assets increased by \$1,063,355 or 2.0% in comparison to the prior year.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Assets

Changes in net assets for the years ended June 30, 2005 and 2004 are as follows:

Town of Ellington Changes in Net Assets For the Year Ended June 30, 2005

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 2,339,343	\$ 2,001,467	\$ 4,340,810
Operating grants and contributions	10,710,437	-	10,710,437
Capital grants and contributions	822,919	-	822,919
General revenues:			
Property taxes	24,238,969	-	24,238,969
Grants and contributions not restricted	402,374	-	402,374
Unrestricted investment earnings	164,934	19,856	184,790
Miscellaneous	91,446	55,719	147,165
Total revenues	<u>38,770,422</u>	<u>2,077,042</u>	<u>40,847,464</u>
Program expenses			
General government	2,252,985	-	2,252,985
Boards and agencies	1,014,173	-	1,014,173
Public safety	2,026,115	-	2,026,115
Public works	3,714,238	-	3,714,238
Recreation	321,129	-	321,129
Library	635,369	-	635,369
Social services	428,371	-	428,371
Town properties	298,235	-	298,235
Education	26,268,030	-	26,268,030
Interest on long-term debt	1,064,978	-	1,064,978
Sewer	-	1,760,486	1,760,486
Total expenses	<u>38,023,623</u>	<u>1,760,486</u>	<u>39,784,109</u>
Excess before transfers	746,799	316,556	1,063,355
Transfers	<u>(177,219)</u>	<u>177,219</u>	<u>-</u>
Change in net assets	569,580	493,775	1,063,355
Net assets - beginning	<u>41,319,631</u>	<u>11,801,660</u>	<u>53,121,291</u>
Net assets - ending	<u><u>\$ 41,889,211</u></u>	<u><u>\$ 12,295,435</u></u>	<u><u>\$ 54,184,646</u></u>

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Assets *(Continued)*

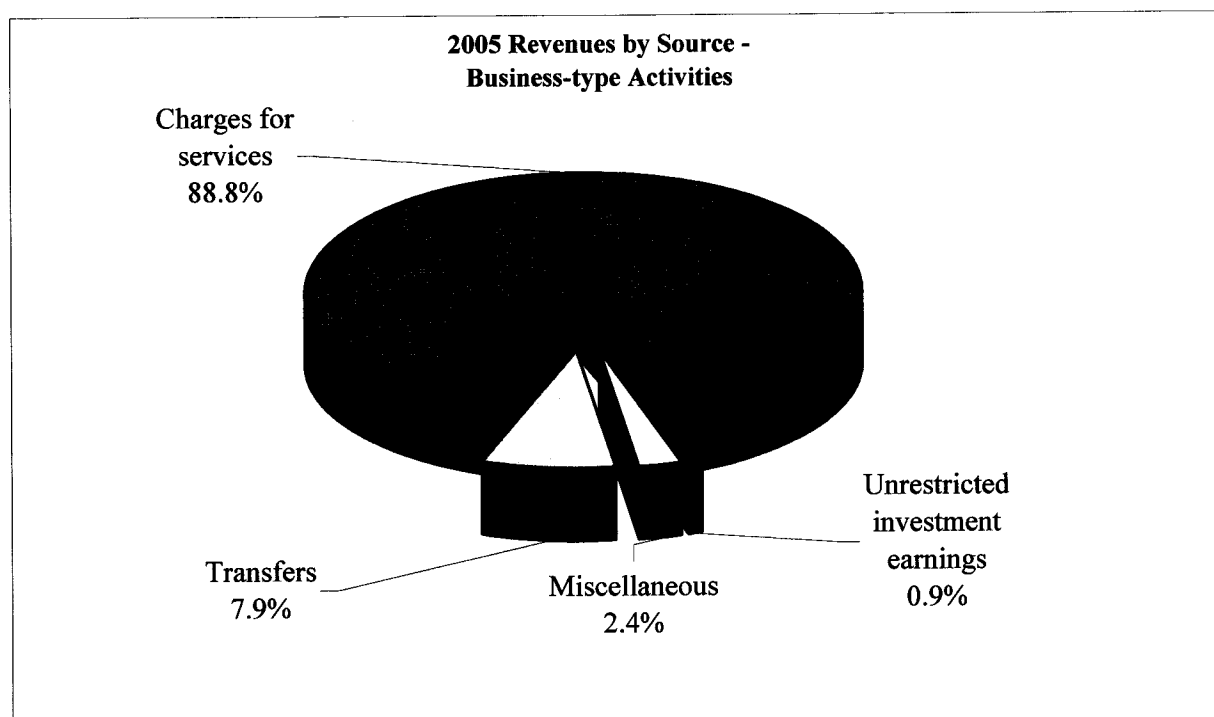
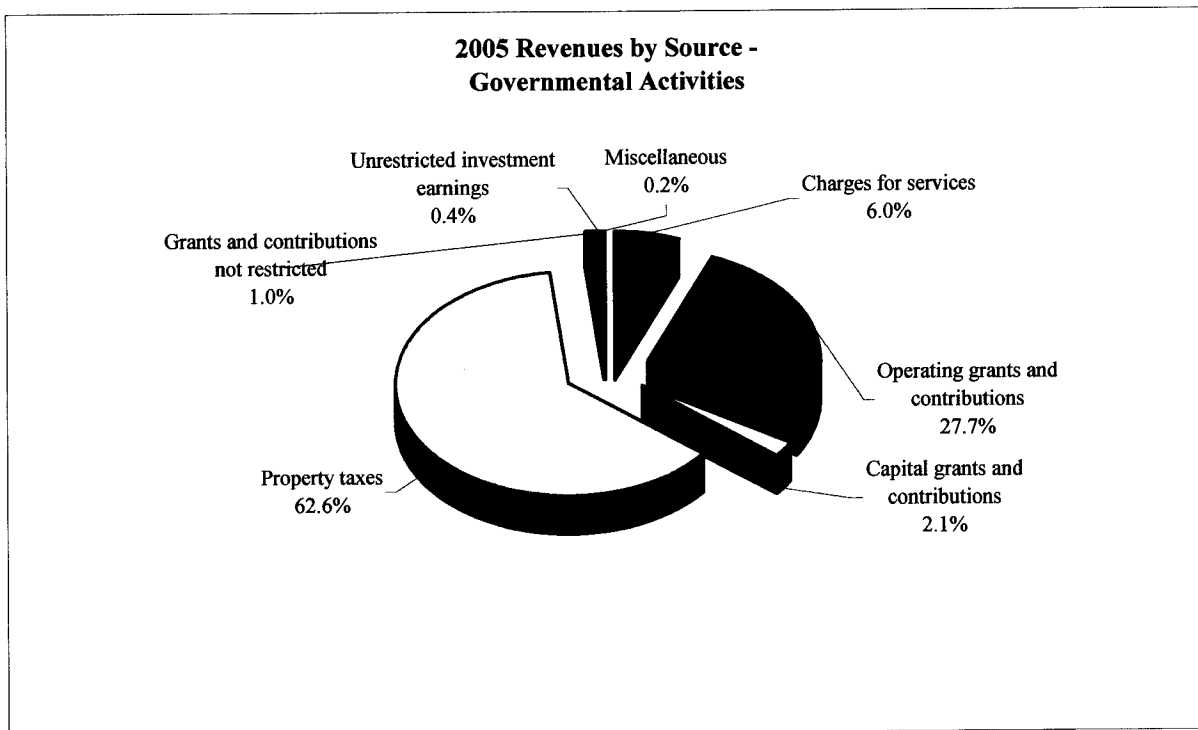
Town of Ellington
Changes in Net Assets
For the Year Ended June 30, 2004

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 2,204,965	\$ 1,892,163	\$ 4,097,128
Operating grants and contributions	10,136,355	-	10,136,355
Capital grants and contributions	2,924,922	-	2,924,922
General revenues:			
Property taxes	22,377,703	-	22,377,703
Grants and contributions not restricted	382,884	-	382,884
Unrestricted investment earnings	117,267	24,847	142,114
Miscellaneous	224,388	63,710	288,098
Total revenues	<u>38,368,484</u>	<u>1,980,720</u>	<u>40,349,204</u>
Program expenses			
General government	1,771,845	-	1,771,845
Boards and agencies	450,212	-	450,212
Public safety	1,862,900	-	1,862,900
Public works	3,268,670	-	3,268,670
Recreation	334,950	-	334,950
Library	634,956	-	634,956
Social services	372,888	-	372,888
Town properties	277,602	-	277,602
Education	25,013,442	-	25,013,442
Interest on long-term debt	1,045,071	-	1,045,071
Sewer	-	1,700,694	1,700,694
Total expenses	<u>35,032,536</u>	<u>1,700,694</u>	<u>36,733,230</u>
Excess before transfers	3,335,948	280,026	3,615,974
Transfers	<u>(185,281)</u>	<u>185,281</u>	<u>-</u>
Change in net assets	3,150,667	465,307	3,615,974
Net assets - beginning , as originally reported	<u>36,756,327</u>	<u>11,336,353</u>	<u>48,092,680</u>
Adjustments	1,412,637	-	1,412,637
Net assets - beginning as adjusted	<u>38,168,964</u>	<u>11,336,353</u>	<u>49,505,317</u>
Net assets - ending	<u><u>\$ 41,319,631</u></u>	<u><u>\$ 11,801,660</u></u>	<u><u>\$ 53,121,291</u></u>

TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

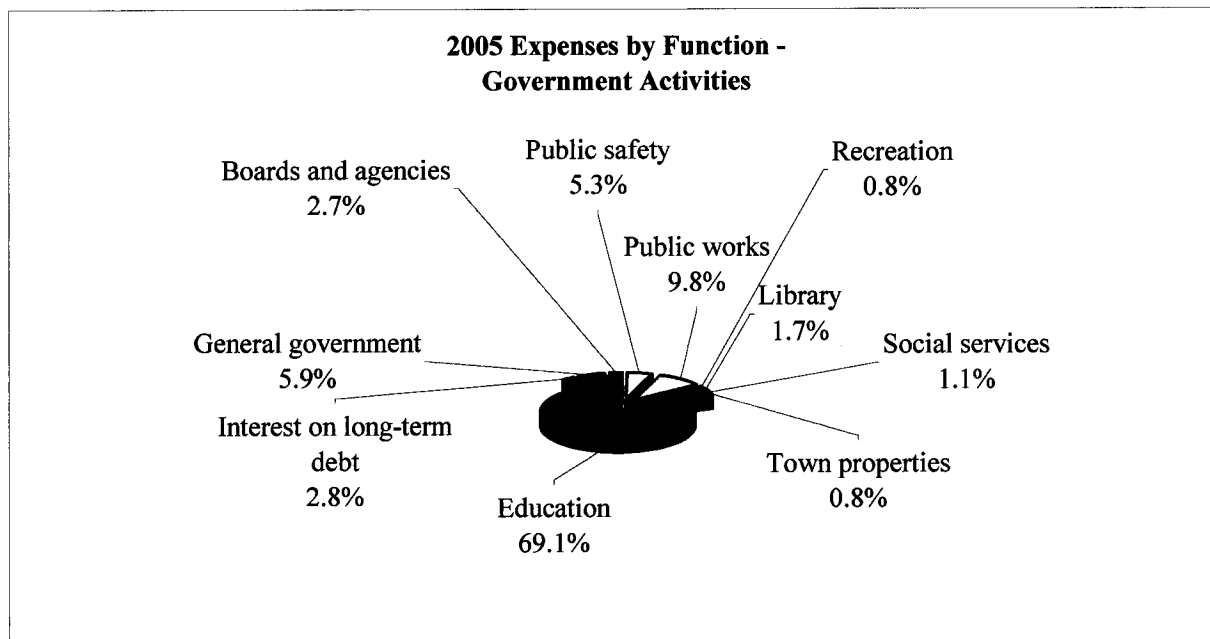
Changes in Net Assets (Continued)



TOWN OF ELLINGTON MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)



Governmental Activities

Governmental activities increased the Town's net assets by \$569,580, thereby accounting for 53.6% of the total growth of the Town's net assets. This increase is primarily attributable to the capitalization of various capital assets acquired during the year.

Business-type Activities

Business-type activities increased the Town's net assets by \$493,775, thereby accounting for 46.4% of the total growth of the Town's net assets. This increase is primarily attributable to additional assessments due to new housing developments (28 new homes in Hockanum River and 18 new homes in the Crystal Lake Sewer developments), that were built and occupied within the last year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS *(Continued)*

Governmental Funds *(Continued)*

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,561,648 a decrease of \$1,889,061 in comparison with the prior year. This decrease is a result of unanticipated construction costs for the High School and Center School projects. Of the total governmental fund balances, \$2,442,329 constitutes unreserved fund balance, of which \$2,868,843 has been designated for specific purposes by the Town. The remaining deficit fund balance of \$426,514 is mainly attributable to the unanticipated construction costs noted above. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for specific purposes.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$590,175, while total fund balance was \$3,459,018. Designations of unreserved fund balance for future "Capital Reserves", "Capital and Nonrecurring" and "Compensated Absences" totaled \$2,868,843. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 1.6% of total general fund expenditures, while total fund balance represents 9.5% of that same amount.

The fund balance of the Town's general fund decreased by \$608,649 during the current fiscal year. Key factors in this decline are as follows:

- Less than projected growth of prorates in the 2004–2005 budget
- Various reductions in State financial assistance
- Unanticipated expenditures for snow removal

High School/Center School Project Fund

The fund balance of the Town's High School/Center School Project decreased by \$1,455,361 due to unanticipated construction costs that were not eligible for reimbursement from the State.

Proprietary Funds

Unrestricted net assets of the Sewer Authority, the Hockanum River and the Crystal Lake Sewers funds at the end of the year totaled \$743,885, \$2,292,135 and \$639,757, respectively. The total increase/(decrease) in net assets for these funds was \$(44,777), \$255,257, and \$262,992, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original expenditures budget and the final amended expenditures budget was an increase in appropriations of \$446,152. Significant components of this increase are as follows:

- Increase in the Audit account of \$29,900 due to unforeseen costs incurred to complete the Town audit
- Increase in Town Counsel account of \$40,124 due to various legal issues

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

GENERAL FUND BUDGETARY HIGHLIGHTS *(Continued)*

- Increases in Public Works spending of \$194,464 resulting from snow removal materials and general road maintenance material
- Increase in Engineering account of \$32,763 due to building activity in Town of Ellington
- Increase in Senior Center account of \$47,928 for expansion of Senior Center
- Increase in Crystal lake Fire Dept of \$14,000 for purchase of new furnaces and repairs to fire engine
- Increases to the Capital Non-Recurring Fund for the following projects:
 - Snipsic Village Renovation Project \$67,000
 - EVAC Replacement Defrib Equipment \$19,973

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2005 totaled \$71,374,792 (net of accumulated depreciation). This investment in capital assets includes an art collection, land, construction in progress, buildings and improvements, vehicles, and infrastructure. The total increase in the Town's investment in capital assets for the current fiscal year was \$2,821,278, a 7.1% increase for governmental activities and a 2.9% increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Outlays for construction in progress totaling \$1,516,913 in connection with school building projects. The projects are scheduled to be completed in fiscal year 2006.
- Outlays for land for \$187,600 to be used as open space.
- Outlays of \$709,420 for various road improvement projects to the Town's infrastructure to benefit the entire Town.

The following table is a two year comparison of the investment in capital assets presented for both governmental and business-type activities:

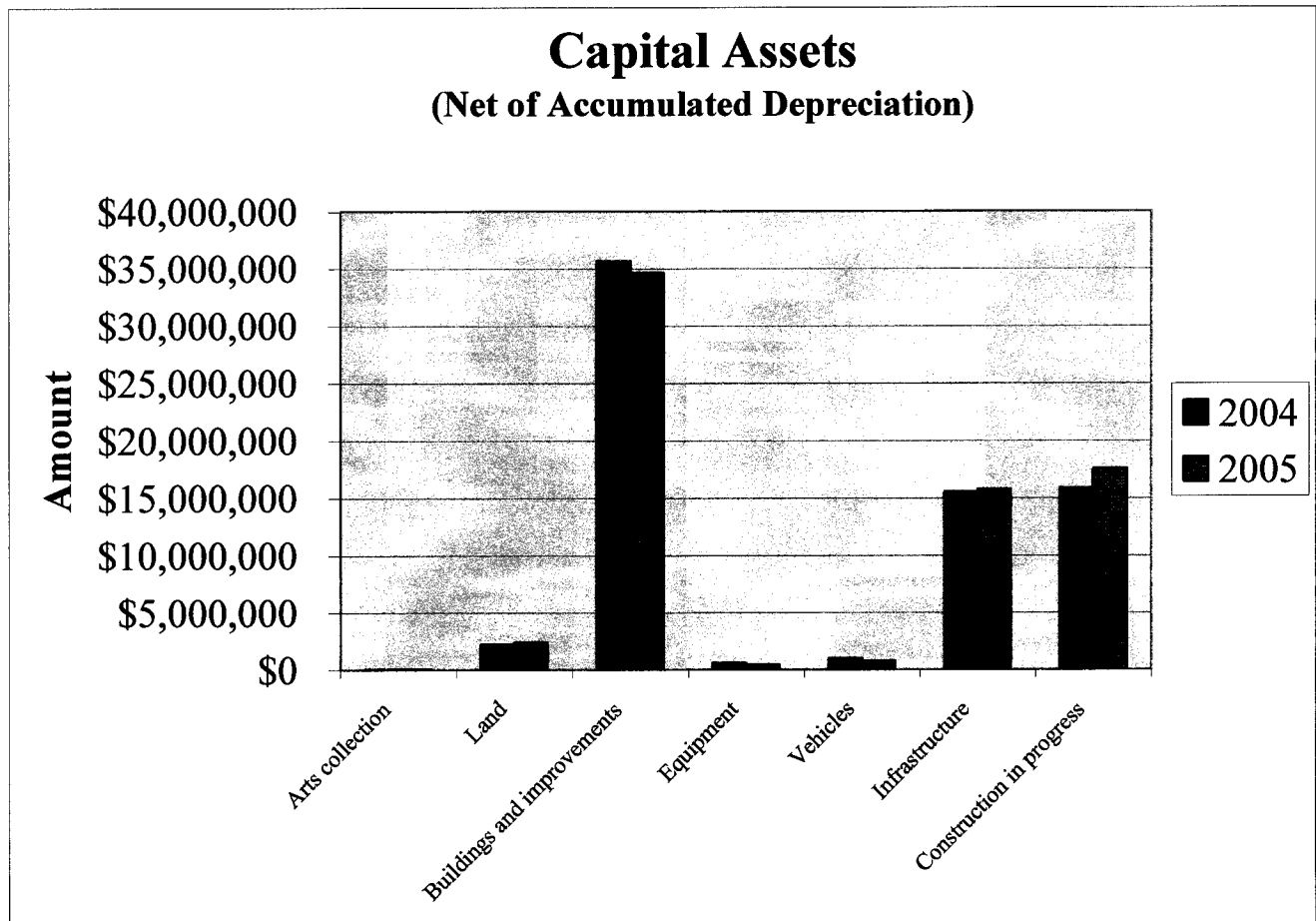
Town of Ellington						
Capital Assets						
June 30, 2005						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Arts collection	\$ 35,598	\$ 35,598	\$ -	\$ -	\$ 35,598	\$ 35,598
Land	2,349,864	2,162,264	-	-	2,349,864	2,162,264
Buildings and improvements	34,594,622	35,609,980	-	-	34,594,622	35,609,980
Equipment	399,727	542,511	362	731	400,089	542,242
Vehicles	744,102	949,472	-	-	744,102	949,472
Infrastructure	5,239,870	4,654,576	10,497,575	10,821,914	15,737,445	15,476,490
Construction in progress	17,224,832	15,827,693	288,240	-	17,513,072	15,827,693
Totals	\$ 60,588,615	\$ 59,782,094	\$ 10,786,177	\$ 10,822,645	\$ 71,374,792	\$ 70,603,739

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*



Additional information on the Town's capital assets can be found in Note 4 on pages 42 and 43 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$24,039,400. This entire amount is comprised of debt backed by the full faith and credit of the Town.

The Town's total bonded debt decreased by \$2,089,900 or 8.0% during the current fiscal year due to scheduled repayments. The taxable notes issued in 1999 for the purchase of Arbor Commons were retired in fiscal year 2005. The fire rescue truck bond will be retired in fiscal year 2006.

The Town maintains an A2 rating from Moody's Investor Service for general obligation debt.

State statutes limit the amount of general obligation debt the Town may issue to approximately seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$170,198,245, which is significantly in excess of the Town's outstanding general obligation debt.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

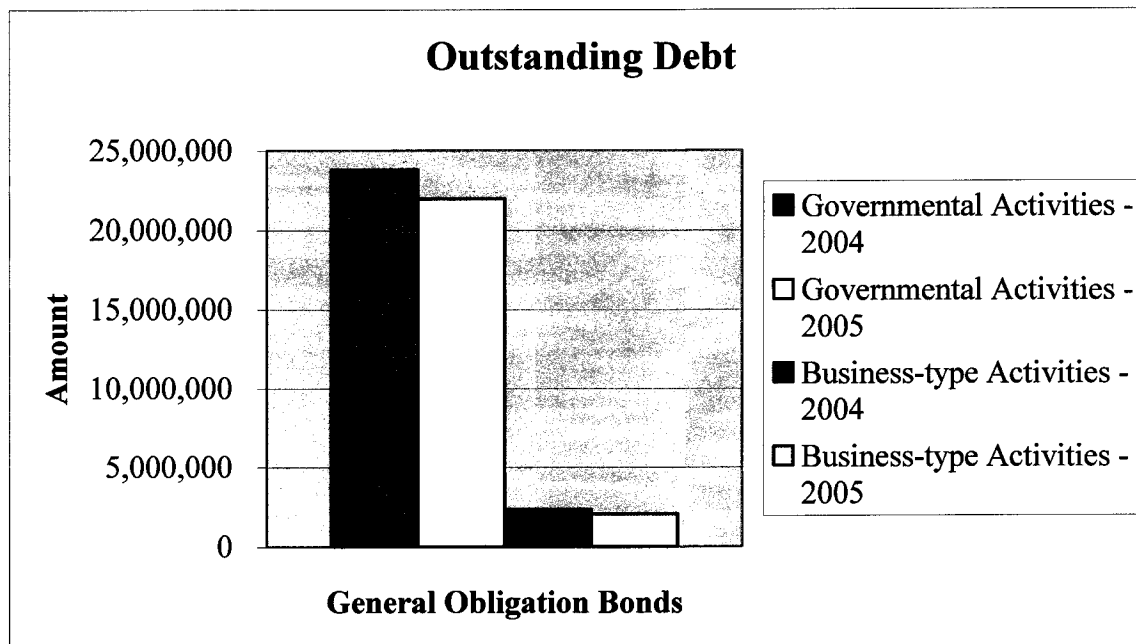
CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Long-term Debt *(Continued)*

The following table is a two year comparison of long-term debt presented for both governmental and business-type activities:

**Town of Ellington
Long-term Debt
June 30, 2005**

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation bonds	<u>\$21,972,500</u>	<u>\$ 23,780,000</u>	<u>\$ 2,066,900</u>	<u>\$2,349,300</u>	<u>\$24,039,400</u>	<u>\$26,129,300</u>



Additional information on the Town's long-term debt can be found in Note 7 on pages 45-48 of this report.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2006 and thereafter.
- The unemployment rate for the Town is currently 4.3%, which is an increase from a rate of 3.6% in the prior year. This compares favorably to the state's average unemployment rate of 5.4% and the national unemployment rate of 5.2%.
- Inflationary trends in the region approximate the national indices.

During the current fiscal year, unreserved and undesignated fund balance of the general fund decreased to \$590,175. The Town has appropriated \$332,002 of this amount for spending in the 2006 fiscal year budget.

All of these factors were considered in preparing the Town's budget for fiscal year 2006.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Officer, Town of Ellington, 55 Main Street, Ellington, CT 06029.

Basic Financial Statements

TOWN OF ELLINGTON
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 418,317	\$ 17,504	\$ 435,821
Investments	3,245,352	3,952,731	7,198,083
Receivables:			
Property taxes receivable, net of allowance for uncollectibles of \$204,600	739,362	-	739,362
Sewer usage charges receivable, net of allowances for uncollectibles of \$18,400	-	122,162	122,162
Assessments and user charges receivable	-	92,572	92,572
Grants and contracts receivable	1,660,200	-	1,660,200
Interest, net of allowance for uncollectibles of \$253,000	293,998	-	293,998
Other	237,678	-	237,678
Internal balances	71,929	(71,929)	-
Inventories	12,795	-	12,795
Prepaid expenses	-	31,707	31,707
Deferred assessments	-	682,358	682,358
Deferred bond issuance costs, net	90,471	-	90,471
Capital assets:			
Non-depreciable	19,610,294	288,240	19,898,534
Depreciable, net	40,978,321	10,497,937	51,476,258
Total assets	<u>67,358,717</u>	<u>15,613,282</u>	<u>82,971,999</u>
LIABILITIES			
Accounts payable	1,840,958	-	1,840,958
Accrued liabilities:			
Retainage payable	381,273	-	381,273
Accrued interest	77,477	9,907	87,384
Other accrued liabilities	34,239	-	34,239
Due to funding source	11,178	-	11,178
Deferred revenue	27,139	1,241,040	1,268,179
Noncurrent liabilities:			
Due within one year:			
Bonds payable	1,757,661	282,500	2,040,161
Capital leases	52,705	-	52,705
Compensated absences	36,000	-	36,000
Due in more than one year:			
Bonds payable	20,216,310	1,784,400	22,000,710
Capital leases	55,587	-	55,587
Compensated absences	978,979	-	978,979
Total liabilities	<u>25,469,506</u>	<u>3,317,847</u>	<u>28,787,353</u>
NET ASSETS			
Invested in capital assets, net of related debt	38,428,875	8,719,376	47,148,251
Restricted for endowments:			
Expendable	596,444	-	596,444
Nonexpendable	52,497	-	52,497
Unrestricted	2,811,395	3,576,059	6,387,454
Total net assets	<u>\$ 41,889,211</u>	<u>\$ 12,295,435</u>	<u>\$ 54,184,646</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ELLINGTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary Government:						
Governmental activities:						
General government	\$ 2,252,985	\$ 498,594	\$ -	\$ (1,754,391)	\$ -	\$ (1,754,391)
Boards and agencies	1,014,173	94,979	874,688	(44,506)	-	(44,506)
Public safety	2,026,115	354,889	7,219	(1,664,007)	-	(1,664,007)
Public works	3,714,238	672,924	38,111	(2,343,486)	-	(2,343,486)
Recreation	321,129	125,500	-	(195,629)	-	(195,629)
Library	635,369	-	-	(635,369)	-	(635,369)
Social services	428,371	19,008	14,000	(395,363)	-	(395,363)
Town properties	298,235	-	-	(298,235)	-	(298,235)
Education	26,268,030	573,449	9,776,419	(15,754,960)	-	(15,754,960)
Interest on long-term debt	1,064,978	-	-	(1,064,978)	-	(1,064,978)
Total governmental activities	38,023,623	2,339,343	10,710,437	(24,150,924)	-	(24,150,924)
Business-type activities:						
Sewer	1,760,486	2,001,467	-	-	240,981	240,981
Total business-type activities	1,760,486	2,001,467	-	-	240,981	240,981
Total primary government	\$ 39,784,109	\$ 4,340,810	\$ 10,710,437	(24,150,924)	240,981	(23,909,943)
General revenues:						
Property taxes, levied for general purposes				24,238,969	-	24,238,969
Grants and contributions not restricted to specific programs				402,374	-	402,374
Unrestricted investment earnings				164,934	19,856	184,790
Miscellaneous				91,446	55,719	147,165
Transfers				(177,219)	177,219	-
Total general revenues				24,720,504	252,794	24,973,298
Change in net assets				569,580	493,775	1,063,355
Net assets - beginning				41,319,631	11,801,660	53,121,291
Net assets - ending				\$ 41,889,211	\$ 12,295,435	\$ 54,184,646

The accompanying notes are an integral part of these financial statements.

**TOWN OF ELLINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General Fund	High School/ Center School Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 59,402	\$ -	\$ 358,915	\$ 418,317
Investments	2,091,696	-	1,153,656	3,245,352
Receivables:				
Property taxes receivable, net of allowance for uncollectibles of \$204,600	739,362	-	-	739,362
Grants and contracts receivable	247,522	135,251	378,440	761,213
Other	167,018	-	70,490	237,508
Due from other funds	2,692,083	-	111,819	2,803,902
Inventories	-	-	12,795	12,795
Total assets	<u>\$ 5,997,083</u>	<u>\$ 135,251</u>	<u>\$ 2,086,115</u>	<u>\$ 8,218,449</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable	\$ 1,563,121	\$ 171,976	\$ 104,672	\$ 1,839,769
Accrued liabilities:				
Retainage payable	-	381,273	-	381,273
Other accrued liabilities	34,239	-	-	34,239
Due to other funds	310,494	2,045,346	377,152	2,732,992
Deferred revenue	630,211	-	27,139	657,350
Due to funding source	-	-	11,178	11,178
Total liabilities	<u>2,538,065</u>	<u>2,598,595</u>	<u>520,141</u>	<u>5,656,801</u>
Fund balances (deficit):				
Reserved for:				
Inventories	-	-	12,795	12,795
Sanitation	-	-	42,148	42,148
Document preservation	-	-	11,879	11,879
Endowments	-	-	52,497	52,497
Unreserved	590,175	(2,463,344)	-	(1,873,169)
Unreserved, designated for compensated absences	283,774	-	-	283,774
Unreserved, designated for capital projects	2,585,069	-	-	2,585,069
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	700,104	700,104
Capital project funds	-	-	150,107	150,107
Permanent funds	-	-	596,444	596,444
Total fund balances (deficit)	<u>3,459,018</u>	<u>(2,463,344)</u>	<u>1,565,974</u>	<u>2,561,648</u>
Total liabilities and fund balances (deficit)	<u>\$ 5,997,083</u>	<u>\$ 135,251</u>	<u>\$ 2,086,115</u>	<u>\$ 8,218,449</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances for governmental funds \$ 2,561,648

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	2,349,864	
Arts collection	35,598	
Construction in progress	17,224,832	
Buildings and improvements	47,397,794	
Machinery and equipment	999,844	
Vehicles	5,692,826	
Infrastructure	6,357,215	
Less: accumulated depreciation and amortization	<u>(19,469,358)</u>	
Total capital assets, net		60,588,615

School construction grants receivable from the State of Connecticut are not susceptible to accrual and are, therefore, not reported in the funds. 898,987

Bond issuance costs are recorded as expenditures in the governmental funds. However, these costs are deferred and amortized over the life of the related debt in the statement of net assets.

Bond issuance costs	99,319	
Less: accumulated amortization	<u>(8,848)</u>	
Total bond issuance costs, net		90,471

Some of the Town's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 630,211

Accrued interest on property taxes are not susceptible to accrual and therefore are not reported in the funds. 293,998

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.

Long-term debt:		
Bonds payable	(21,972,500)	
Unamortized premiums	(1,471)	
Obligations under capital lease	(108,292)	
Accrued interest payable	(77,477)	
Other long-term liabilities:		
Compensated absences	<u>(1,014,979)</u>	
Total long-term liabilities		<u>(23,174,719)</u>

Net assets of governmental activities \$ 41,889,211

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	High School/ Center School Project	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 24,128,340	\$ -	\$ -	\$ 24,128,340
Licenses, permits and fees	170,131	-	-	170,131
Intergovernmental	10,029,859	61,552	1,753,922	11,845,333
Charges for services	1,033,371	-	288,350	1,321,721
Food sales	-	-	510,171	510,171
Interest and dividends	135,362	-	30,202	165,564
Other income	157,155	-	304,018	461,173
Total revenues	<u>35,654,218</u>	<u>61,552</u>	<u>2,886,663</u>	<u>38,602,433</u>
EXPENDITURES				
Current:				
General government	1,205,244	-	-	1,205,244
Boards and agencies	84,160	-	-	84,160
Public safety	1,516,859	-	-	1,516,859
Public works	2,675,752	-	-	2,675,752
Recreation	259,019	-	-	259,019
Library	402,945	-	-	402,945
Social services	414,166	-	-	414,166
Town properties	298,235	-	-	298,235
Education	24,076,078	-	-	24,076,078
Miscellaneous	1,640,879	-	6,453	1,647,332
Program expenditures	-	-	2,210,517	2,210,517
Debt service:				
Principal payments	1,857,472	-	-	1,857,472
Interest and fiscal charges	958,939	-	-	958,939
Capital outlays	795,099	1,516,913	395,545	2,707,557
Total expenditures	<u>36,184,847</u>	<u>1,516,913</u>	<u>2,612,515</u>	<u>40,314,275</u>
Excess (deficiency) of revenues over expenditures	(530,629)	(1,455,361)	274,148	(1,711,842)
OTHER FINANCING SOURCES (USES)				
Transfers in	99,199	-	-	99,199
Transfers out	(177,219)	-	(99,199)	(276,418)
Total other financing sources (uses)	<u>(78,020)</u>	<u>-</u>	<u>(99,199)</u>	<u>(177,219)</u>
Net change in fund balances	(608,649)	(1,455,361)	174,949	(1,889,061)
Fund balances (deficit) - beginning	4,067,667	(1,007,983)	1,391,025	4,450,709
Fund balances (deficit) - ending	<u>\$ 3,459,018</u>	<u>\$ (2,463,344)</u>	<u>\$ 1,565,974</u>	<u>\$ 2,561,648</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances for governmental funds \$ (1,889,061)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation and amortization in the current period is as follows:

Expenditures for capital assets	2,689,422	
Disposition of capital assets, net	(32,387)	
Depreciation and amortization expense	<u>(1,850,514)</u>	
Net adjustment		806,521

Intergovernmental revenue on school construction grants is not susceptible to accrual and, therefore, is only reported as revenue in the funds when the cash is received by the Town. In the government-wide financial statements, the cash received reduces the grant receivable recognized in the government-wide statement of net assets. (114,938)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Debt issued or incurred:		
Amortization of bond issuance costs	(5,031)	
Principal repayments:		
Bonds	1,807,500	
Obligations under capital lease	<u>49,972</u>	
Net adjustment		1,852,441

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2005

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Compensated absences	\$ (57,891)	
Accrued interest	6,684	
Amortization of bond premium	<u>171</u>	
		(51,036)
Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred revenues in governmental funds. This amount represents the change in deferred revenue.		(57,452)
Interest on property taxes receivable are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year reduced revenues recognized in the funds.		<u>23,105</u>
Change in net assets of governmental activities	<u>\$ 569,580</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
REVENUES				
Property taxation	\$ 24,351,431	\$ 24,351,431	\$ 24,298,470	\$ (52,961)
Intergovernmental - education	8,289,068	8,289,068	8,259,727	(29,341)
Intergovernmental - other	696,468	696,468	792,115	95,647
Charges for goods and services	1,075,928	1,075,928	1,033,371	(42,557)
Interest and dividends	100,000	100,000	135,362	35,362
Other revenues	366,733	366,733	375,231	8,498
Total revenues	<u>34,879,628</u>	<u>34,879,628</u>	<u>34,894,276</u>	<u>14,648</u>
EXPENDITURES				
Current:				
General government	1,173,305	1,244,314	1,205,245	(39,069)
Boards and agencies	88,700	94,935	84,159	(10,776)
Public safety	1,510,476	1,552,052	1,516,858	(35,194)
Public works	2,504,477	2,754,201	2,675,752	(78,449)
Recreation	335,895	335,895	259,018	(76,877)
Library	396,495	402,946	402,945	(1)
Human services	374,735	423,537	414,167	(9,370)
Town properties	273,850	302,617	298,235	(4,382)
Debt service	3,071,990	3,071,990	3,034,486	(37,504)
Miscellaneous	1,748,378	1,654,993	1,640,165	(14,828)
Education	23,173,103	23,173,103	23,098,061	(75,042)
Capital outlays	752,860	839,833	833,370	(6,463)
Total expenditures	<u>35,404,264</u>	<u>35,850,416</u>	<u>35,462,461</u>	<u>(387,955)</u>
Excess (deficiency) of revenues over expenditures	(524,636)	(970,788)	(568,185)	402,603
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	622,629	1,068,781	-	(1,068,781)
Operating tranfers in	79,226	79,226	99,199	19,973
Operating tranfers out	(177,219)	(177,219)	(177,219)	-
Total other financing sources (uses)	<u>524,636</u>	<u>970,788</u>	<u>(78,020)</u>	<u>(1,048,808)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(646,205)	<u>\$ (646,205)</u>
Fund balance - beginning			<u>4,066,952</u>	
Fund balance - ending			<u>\$ 3,420,747</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds				
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 17,504	\$ -	\$ -	\$ -	\$ 17,504
Investments	1,371,138	2,241,921	339,672	-	3,952,731
Receivables:					
Sewer usage charges receivable, net of allowances for uncollectibles of \$18,400	75,740	-	26,557	19,865	122,162
Assessments, interest and liens receivable	-	50,797	41,775	-	92,572
Due from other funds	-	62,065	584,042	14,186	660,293
Deferred assessments	-	322,137	307,457	52,764	682,358
Prepaid expenses	5,511	-	26,366	-	31,877
Total current assets	1,469,893	2,676,920	1,325,869	86,815	5,559,497
Noncurrent assets:					
Capital assets:					
Non-depreciable	288,240	-	-	-	288,240
Depreciable, net	5,579,378	-	4,918,559	-	10,497,937
Total noncurrent assets	5,867,618	-	4,918,559	-	10,786,177
Total assets	7,337,511	2,676,920	6,244,428	86,815	16,345,674
LIABILITIES					
Current liabilities:					
Accrued interest	-	8,406	1,498	-	9,904
Deferred revenue	181,525	322,137	684,614	52,764	1,241,040
Due to other funds	544,384	54,242	-	133,769	732,395
Bonds and notes payable - current	-	95,000	187,500	-	282,500
Total current liabilities	725,909	479,785	873,612	186,533	2,265,839
Noncurrent liabilities:					
Bonds and notes payable	-	284,400	1,500,000	-	1,784,400
Total liabilities	725,909	764,185	2,373,612	186,533	4,050,239
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	5,867,717	(379,400)	3,231,059	-	8,719,376
Unrestricted (deficit)	743,885	2,292,135	639,757	(99,718)	3,576,059
Total net assets	\$ 6,611,602	\$ 1,912,735	\$ 3,870,816	\$ (99,718)	\$ 12,295,435

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
OPERATING REVENUES					
Assessments	\$ -	\$ 242,278	\$ 295,529	\$ -	\$ 537,807
User charges, interest and lien fees	924,431	-	139,993	-	1,064,424
Solid waste fees	-	-	-	399,236	399,236
Miscellaneous	16,777	-	4,350	-	21,127
Total operating revenues	<u>941,208</u>	<u>242,278</u>	<u>439,872</u>	<u>399,236</u>	<u>2,022,594</u>
OPERATING EXPENSES					
Town of Vernon	725,770	-	-	-	725,770
Town of Stafford	-	-	100,880	-	100,880
Depreciation and amortization	191,142	-	133,566	-	324,708
Utilities	18,566	-	12,450	-	31,016
General maintenance and repairs	41,652	-	12,173	-	53,825
Engineering	825	-	-	-	825
Public works and administrative expenses	25,091	-	2,840	378,886	406,817
Legal	763	-	-	-	763
Advertising	2,032	-	-	-	2,032
Other	-	-	909	47	956
Total operating expenses	<u>1,005,841</u>	<u>-</u>	<u>262,818</u>	<u>378,933</u>	<u>1,647,592</u>
Operating income (loss)	(64,633)	242,278	177,054	20,303	375,002
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	19,856	-	-	-	19,856
Other income	-	34,592	-	-	34,592
Debt service-interest	-	(21,613)	(91,281)	-	(112,894)
Total non-operating revenues (expenses)	<u>19,856</u>	<u>12,979</u>	<u>(91,281)</u>	<u>-</u>	<u>(58,446)</u>
Income (loss) before transfers in	(44,777)	255,257	85,773	20,303	316,556
Transfers in	<u>-</u>	<u>-</u>	<u>177,219</u>	<u>-</u>	<u>177,219</u>
Change in net assets	(44,777)	255,257	262,992	20,303	493,775
Net assets (deficit) - beginning	<u>6,656,379</u>	<u>1,657,478</u>	<u>3,607,824</u>	<u>(120,021)</u>	<u>11,801,660</u>
Net assets (deficit) - ending	<u>\$ 6,611,602</u>	<u>\$ 1,912,735</u>	<u>\$ 3,870,816</u>	<u>\$ (99,718)</u>	<u>\$ 12,295,435</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ELLINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 957,148	\$ 185,095	\$ 283,353	\$ 383,923	\$ 1,809,519
Receipts from (payments for) interfund services provided	391,203	-	(15,079)	(4,990)	371,134
Payments to suppliers	(894,067)	-	(126,412)	(378,933)	(1,399,412)
Payments to employees	(25,091)	-	(2,840)	-	(27,931)
Net cash provided by operating activities	<u>429,193</u>	<u>185,095</u>	<u>139,022</u>	<u>-</u>	<u>753,310</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(288,240)	-	-	-	(288,240)
Principal paid on capital debt	-	(94,900)	(187,500)	-	(282,400)
Interest paid on capital debt	-	(21,613)	(91,281)	-	(112,894)
Transfers in	-	-	177,219	-	177,219
Net cash used in capital and related financing activities	<u>(288,240)</u>	<u>(116,513)</u>	<u>(101,562)</u>	<u>-</u>	<u>(506,315)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(161,409)	(103,174)	(37,460)	-	(302,043)
Proceeds from sales and maturities of investments	-	-	-	-	-
Interest and dividends	19,856	34,592	-	-	54,448
Net cash used in investing activities	<u>(141,553)</u>	<u>(68,582)</u>	<u>(37,460)</u>	<u>-</u>	<u>(247,595)</u>
Net increase in cash and cash equivalents	(600)	-	-	-	(600)
Cash and cash equivalents, beginning of year	<u>18,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,104</u>
Cash and cash equivalents, end of year	<u>\$ 17,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,504</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (64,633)	\$ 242,278	\$ 177,054	\$ 20,303	\$ 375,002
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization expense	191,142	-	133,566	-	324,708
(Increase) decrease in assets:					
Sewer usage receivable, net	(223)	-	(4,329)	(1,127)	(5,679)
Assessment, interest and liens receivable	-	(27,431)	(4,216)	-	(31,647)
Due from other funds	181,294	(27,650)	(195,999)	(14,186)	(56,541)
Deferred assessments	-	(191,520)	59,407	-	(132,113)
Other assets	(337)	-	(4,133)	-	(4,470)
Increase (decrease) in liabilities:					
Accounts payable	(104,796)	-	-	-	(104,796)
Accrued liabilities	-	(2,102)	(2)	-	(2,104)
Deferred revenue	16,163	191,520	(7,247)	-	200,436
Due to other funds	210,583	-	(15,079)	(4,990)	190,514
Net cash provided by operating activities	<u>\$ 429,193</u>	<u>\$ 185,095</u>	<u>\$ 139,022</u>	<u>\$ -</u>	<u>\$ 753,310</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 83,473	\$ 243,143
Investments	462,673	371,417
Due from other funds	1,192	-
Total assets	<u>547,338</u>	<u>\$ 614,560</u>
 LIABILITIES		
Due to others	<u>-</u>	<u>\$ 614,560</u>
 NET ASSETS		
Held in trust for other purposes	<u>\$ 547,338</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Private- Purpose Trust Funds
ADDITIONS	
Contributions:	
Private donations	\$ 79,730
Other income	138,483
Total contributions	<u>218,213</u>
Investment earnings:	
Interest	7,047
Net increase in the fair value of investments	<u>754</u>
Total investment earnings	<u>7,801</u>
Total additions	<u>226,014</u>
 DEDUCTIONS	
Program expenditures	<u>115,698</u>
 Change in net assets	 110,316
 Net assets - beginning	 <u>437,022</u>
 Net assets - ending	 <u><u>\$ 547,338</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ellington (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

FINANCIAL REPORTING ENTITY

The Town is governed by an elected, seven-member Board of Selectmen. The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

Related Organizations

The Board of Selectmen is responsible for appointing members to the Board of the Housing Authority of the Town of Ellington, but the Town's accountability for the Housing Authority does not extend beyond making the appointments. Amounts received from the Housing Authority in exchange for services rendered amounted to \$8,888 for the year ended June 30, 2005.

The Board of Selectmen is also responsible for appointing a Board member to the Town's regional group for public health. Amounts paid to the health district amounted to \$45,463 for the year ended June 30, 2005.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt - This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This category consists of net assets which do not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

General Fund – This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

High School/Center School Project Fund – This fund accounts for all activity pertaining to the renovations taking place at Ellington High School and Center School.

The Town reports the following major enterprise funds:

Sewer Authority Fund – This fund accounts for all sewer use activities in the Hockanum River section of the Town.

Hockanum River Fund – This fund accounts for all assessments charged to users in the Hockanum River section of the Town.

Crystal Lake Sewers Fund – This fund accounts for all sewer use activities and assessments in the Crystal Lake section of the Town.

In addition, the Town reports the following fund types:

Private Purpose Trust Funds – These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town utilizes these funds to account for the individual activity in these funds.

Agency Funds – These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets held for student activities and for performance bonds.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide, Proprietary and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds consist of charges to customers for services and sewer use. Operating expenses of the Town's proprietary funds consist of the cost of services, maintenance, administrative expenses, and depreciation and amortization of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting and financial reporting for governmental and business-type activities is based on all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board ("FASB") Statements and Interpretations;
- b. Accounting Principles Board Opinions;
- c. Accounting Research Bulletins of the Committee on Accounting Procedure.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town may also apply FASB pronouncements issued after November 30, 1989 to business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to follow subsequent private-sector pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY

Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consisted of a money market account which totaled \$117,408 as of June 30, 2005.

Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Town presents all investments at fair value, except for money market investments as defined in the Statement, which the Town has elected to report at amortized cost.

The fair value of investments traded on public markets is determined using quoted market prices. The Town invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office. The fair value of the Town's position in the pool is the same as the value of the pool shares. In addition, the Town invests in the Cooperative Liquid Assets Security Fund (CLASS), which is an investment pool managed by MBIA Municipal Investors Service Corp. The fair value of the Town's position in the pool is the same as the value of the pool shares.

Donor-restricted Endowments

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Management of Institutional Funds Act (UMIFA). Under UMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net assets or unrestricted net assets, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

Net appreciation of donor-restricted endowments available for expenditure by the Town totaled \$596,444 as of June 30, 2005 and is included in restricted net assets. Town policy requires all investment income to be recorded in the respective fund earned and is to be used to offset future donor restricted program expenditures

Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year. Based on historical collection experience and other factors, the Town has established an allowance for doubtful accounts of \$204,600 as of June 30, 2005.

Property tax revenues are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected within 60 days of the end of the current period. Property taxes receivable that are not expected to be collected during the available period are reflected as deferred revenue.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Inventories and Prepaid Items

Inventories are reported at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of U.S. Department of Agriculture (USDA) food products of the School Lunch Fund (a Nonmajor Special Revenue Fund) are valued at amounts assigned by the USDA.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include an arts collection, land, buildings and improvements, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, equipment and infrastructure of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Public domain infrastructure	50
Buildings and improvements	40
Vehicles	5 - 10
Equipment	3 - 7

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

Compensated Absences

Town employees are not entitled to accumulate vacation and sick leave. Board of Education employees accumulate vacation and sick leave for subsequent use or for payment upon termination or retirement. Compensated absences are accrued when incurred in the government-wide financial statements. Vacation and sick leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year, or the amount is expected to be paid with available resources.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Reservations and designations of fund equity are discussed more fully in Note 8.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INTERFUND ACTIVITIES

Interfund activities are reported as follows:

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reservation in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures or expenses in the applicable funds.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2005

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY

BUDGETARY INFORMATION

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- The Board of Finance submits a proposed operating budget for the fiscal year commencing July 1 to a public budget hearing, at which taxpayer comments are obtained. The Board of Finance then prepares the recommended Town budget, which it presents at the annual Town meeting held on the second Tuesday in May. The operating budget includes proposed expenditures and the means of financing them.
- Expenditures are budgeted by function, department and object. Management may not exceed appropriations at the department level and must seek approval from the Board of Finance to reassign resources within a department, except for the Board of Education. The Board of Education may reassign resources within its department without seeking Board of Finance approval. The legal level of budgetary control (the level at which expenditures may not exceed appropriations) is the department level for the Board of Education and the object level for all other departments. Because the legal level of control is more detailed than the accompanying budgetary comparison schedule presented herein, a separately issued budgetary report demonstrating legal compliance with the adopted budget is available from the Town. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects. Additional appropriations of less than \$30,000 must be approved by the Board of Finance. Appropriations in excess of \$30,000 must be approved at a Town meeting. During the year, the Board of Finance and, where required, Town meetings, approved additional appropriations from fund balance of \$416,252.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. Intergovernmental and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY (Continued)

BUDGETARY INFORMATION (Continued)

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America. A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented in conformity with accounting principles generally accepted in the United States of America is as follows for the year ended June 30, 2005:

	Fund Balance
Budgetary basis	<u>\$ 3,420,747</u>
Changes in Capital and Nonrecurring Reserve	(86,729)
Changes in Capital Reserve	<u>125,000</u>
	<u><u>\$ 3,459,018</u></u>

DEFICIT FUND EQUITY

The following funds have deficit fund balances as of June 30, 2005, none of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
High School / Center School Project	\$2,463,344
HUD Small Cities Rehab 2005	10
Windermere School Addition	98,189
Watermains, Tripp and Middle Roads	133,769

The deficit in the High School / Center School Project and Windermere School Addition will be funded through the issuance of bonds. The deficit in the HUD Small Cities Rehab 2005 program will be funded through proceeds from the program in future years, while the deficit in the Watermains, Tripp and Middle Roads will be funded through operations and transfers from the General Fund.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$2,352,849 of the Town's bank balance of \$2,724,735 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,117,564
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	235,285
	<u>\$ 2,352,849</u>

All of the Town's deposits were in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The Town's cash and cash equivalents as of June 30, 2005 consisted of cash deposits of \$762,437 and various certificates of deposit with original maturity in excess of 3 months totaling \$1,300,860. Since these certificates of deposit have maturities greater than 3 months, they are classified as investments in the accompanying financial statements, although they are considered to be cash deposits for purposes of disclosure under GASB No. 40.

A reconciliation of the Town's cash deposits as of June 30, 2005 is as follows:

Government-wide statement of net assets:	
Cash and cash equivalents	\$ 1,736,681
Statement of fiduciary net assets:	
Private purpose trust funds	83,473
Agency funds	243,143
	<u>\$ 2,063,297</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

As of June 30, 2005, the Town's investments consisted of the following:

Investment type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
Short Term Investment Fund (STIF)	\$ 476,025	\$ 476,025	\$ -	\$ -	\$ -
Cooperative Liquid Asset Security Sytem (CLASS)	5,483,914	5,483,914	-	-	-
U.S. Treasuries	105,607	-	34,646	70,961	-
Corporate bonds	170,992	20,132	150,860	-	-
Money market funds	26,748	26,748	-	-	-
	<u>6,263,286</u>	<u>\$ 6,006,819</u>	<u>\$ 185,506</u>	<u>\$ 70,961</u>	<u>\$ -</u>
Other investments:					
Equity securities	468,027				
Total	<u>\$ 6,731,313</u>				

Because the STIF and CLASS have weighted average maturities of 35 days and 39 days, respectively, they were presented as investments with maturities of less than one year.

A reconciliation of the Town's investments as of June 30, 2005 is as follows:

Government-wide statement of net assets:

Investments \$ 5,897,223

Statement of fiduciary net assets:

Private purpose trust funds 462,673

Agency funds 371,417

\$ 6,731,313

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The pension trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

The Town's investments in debt securities were rated by Standard & Poor's and Fitch Ratings as follows at June 30, 2005:

Debt Securities	Fair Value	AAA	AA	A	Unrated
Short Term Investment Fund (STIF)	\$ 476,025	\$ 476,025	\$ -	\$ -	\$ -
Cooperative Liquid Asset Security Sytem (CLASS)	5,483,914	5,483,914	-	-	-
U.S. Treasuries	105,607	105,607	-	-	-
Corporate bonds	170,992	50,353	46,644	73,995	-
Money market funds	26,748	-	-	-	26,748
	<u>\$ 6,263,286</u>	<u>\$ 6,115,899</u>	<u>\$ 46,644</u>	<u>\$ 73,995</u>	<u>\$ 26,748</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. In accordance with GASB No. 40, the Town's investments in debt securities do not require custodial credit risk disclosures because they are not evidenced by securities that exist in physical or book entry form.

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. No other issuer other than the CLASS accounts constitute an investment in excess of 5% of the Town's total investments.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Arts collection	\$ 35,598	\$ -	\$ -	\$ 35,598
Land	2,162,264	187,600	-	2,349,864
Construction in progress	15,827,693	1,668,848	(271,709)	17,224,832
Total capital assets, not being depreciated	<u>18,025,555</u>	<u>1,856,448</u>	<u>(271,709)</u>	<u>19,610,294</u>
Capital assets, being depreciated:				
Buildings and improvements	47,114,284	283,510	-	47,397,794
Equipment	999,844	-	-	999,844
Vehicles	5,657,846	111,753	(76,773)	5,692,826
Infrastructure	5,647,795	709,420	-	6,357,215
Total capital assets, being depreciated	<u>59,419,769</u>	<u>1,104,683</u>	<u>(76,773)</u>	<u>60,447,679</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	11,504,304	1,298,868	-	12,803,172
Equipment	457,333	142,784	-	600,117
Vehicles	4,708,374	284,736	(44,386)	4,948,724
Infrastructure	993,219	124,126	-	1,117,345
Total accumulated depreciation and amortization	<u>17,663,230</u>	<u>1,850,514</u>	<u>(44,386)</u>	<u>19,469,358</u>
Total capital assets, being depreciated, net	<u>41,756,539</u>	<u>(745,831)</u>	<u>(32,387)</u>	<u>40,978,321</u>
Governmental activities capital assets, net	<u>\$ 59,782,094</u>	<u>\$ 1,110,617</u>	<u>\$ (304,096)</u>	<u>\$ 60,588,615</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Construction in progress - Sewer Authority	\$ -	\$ 288,240	\$ -	\$ 288,240
Total capital assets, not being depreciated	<u>-</u>	<u>288,240</u>	<u>-</u>	<u>288,240</u>
Capital assets, being depreciated:				
Equipment - Sewer Authority	61,443	-	-	61,443
Infrastructure - Sewer Authority	9,052,254	-	-	9,052,254
Equipment - Crystal Lake	9,492	-	-	9,492
Infrastructure - Crystal Lake	6,673,516	-	-	6,673,516
Total capital assets, being depreciated	<u>15,796,705</u>	<u>-</u>	<u>-</u>	<u>15,796,705</u>
Less accumulated depreciation and amortization for:				
Equipment - Sewer Authority	60,906	175	-	61,081
Infrastructure - Sewer Authority	3,282,222	190,967	-	3,473,189
Equipment - Crystal Lake	9,298	194	-	9,492
Infrastructure - Crystal Lake	1,621,634	133,372	-	1,755,006
Total accumulated depreciation and amortization	<u>4,974,060</u>	<u>324,708</u>	<u>-</u>	<u>5,298,768</u>
Total capital assets, being depreciated, net	<u>10,822,645</u>	<u>(324,708)</u>	<u>-</u>	<u>10,497,937</u>
Business-type activities capital assets, net	<u>\$ 10,822,645</u>	<u>\$ (36,468)</u>	<u>\$ -</u>	<u>\$ 10,786,177</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation and amortization expense was charged to functions of the primary government as follows:

Governmental Activities:

Education	\$ 976,406
Public works	321,381
Public safety	311,131
General government	154,096
Library	<u>87,500</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 1,850,514</u></u>

Business-type Activities:

Sewer	<u><u>\$ 324,708</u></u>
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TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2005 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	High School/Center School Project	\$ 2,045,346
	Other Governmental Funds	377,152
	Sewer Authority	135,816
	Other Enterprise Funds	133,769
		<u>2,692,083</u>
Other Governmental Funds	General Fund	<u>111,819</u>
		2,803,902
Enterprise Funds		
Hockanum River	General Fund	<u>62,065</u>
Crystal Lake Sewers	Sewer Authority	408,568
	General Fund	121,232
	Hockanum River	54,242
		<u>584,042</u>
Other Enterprise Funds	General Fund	<u>14,186</u>
		660,293
Fidiciary Funds		
Private Purpose Trust Funds	General Fund	<u>1,192</u>
Total due from/to other funds		<u>\$ 3,465,387</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Governmental Funds		
General Fund	Crystal Lake Sewers	\$ 177,219
Other Governmental Funds	General Fund	99,199
		<u>\$ 276,418</u>

The transfers to the General Fund were to reimburse for expenditures paid for by the General Fund. The transfers to the Crystal Lake Sewers were to assist in the operations of this fund.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 23,780,000	\$ -	\$ (1,807,500)	\$ 21,972,500	\$ 1,757,500
Unamortized amounts:					
Discounts (premiums)	1,642	-	(171)	1,471	161
Total bonds payable	23,781,642	-	(1,807,671)	21,973,971	1,757,661
Other liabilities:					
Capital leases	158,264	-	(49,972)	108,292	52,705
Compensated absences	957,088	93,569	(35,678)	1,014,979	36,000
	<u>\$ 24,896,994</u>	<u>\$ 93,569</u>	<u>\$ (1,893,321)</u>	<u>\$ 23,097,242</u>	<u>\$ 1,846,366</u>
Business-type Activities					
Bonds payable:					
General obligation bonds	\$ 2,349,300	\$ -	\$ (282,400)	\$ 2,066,900	\$ 282,500
Total bonds payable	<u>\$ 2,349,300</u>	<u>\$ -</u>	<u>\$ (282,400)</u>	<u>\$ 2,066,900</u>	<u>\$ 282,500</u>

Bonds payable and other liabilities of Governmental Activities have typically been liquidated by the General Fund.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 7 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATION BONDS

A summary of general obligation bonds outstanding at June 30, 2005 is as follows:

Description of Bonds	Final Maturity Dates	Interest Rates	Amount Outstanding
Governmental Activities			
School bonds issued 1994, original amount \$3,810,000	2014	4.60%	\$ 1,427,500
School bonds issued 1999, original amount \$5,390,000	2019	4.35%	3,770,000
Public improvement bonds issued 1990, original amount of \$3,360,000	2011	6.75%	900,000
Public improvement bonds issued 1999, original amount of \$1,650,000	2019	4.35%	1,140,000
Fire rescue truck issued 2001, original amount \$360,000	2006	4.75%	70,000
School bonds issued 2003, original amount \$9,650,000	2022	3.00%	8,400,000
School bonds issued 2003, original amount \$6,640,000	2023	3.45%	6,265,000
			<u>\$ 21,972,500</u>
Business-type Activities			
Sewer bonds issued 1981, original amount \$2,642,000	2008	5.00%	\$ 379,400
Sewer bonds issued 1994, original amount \$3,375,000	2014	4.60%	1,687,500
			<u>\$ 2,066,900</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 7 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATION BONDS (Continued)

Annual debt service requirements to maturity at June 30, 2005 are as follows:

Year ending June 30:	Governmental Activities General Obligation Bonds		
	Principal	Interest	Total
2006	\$ 1,757,500	\$ 880,522	\$ 2,638,022
2007	1,687,500	811,547	2,499,047
2008	1,612,500	747,782	2,360,282
2009	1,727,500	707,312	2,434,812
2010	1,267,500	619,907	1,887,407
2011-2015	6,170,000	2,343,017	8,513,017
2016-2020	5,170,000	1,129,378	6,299,378
2021-2023	2,580,000	200,095	2,780,095
	<u>\$ 21,972,500</u>	<u>\$ 7,439,560</u>	<u>\$ 29,412,060</u>

Year ending June 30:	Business-Type Activities General Obligation Bonds		
	Principal	Interest	Total
2006	\$ 282,500	\$ 117,328	\$ 399,828
2007	282,500	90,870	373,370
2008	282,500	77,311	359,811
2009	281,900	67,245	349,145
2010	187,500	45,936	233,436
2011-2014	750,000	91,922	841,922
	<u>\$ 2,066,900</u>	<u>\$ 490,612</u>	<u>\$ 2,557,512</u>

SCHOOL BOND REIMBURSEMENTS

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for the year ended June 30, 2005 was \$114,938. Additional reimbursements of principal and interest aggregating approximately \$1,110,875 are expected to be received through the applicable bonds' maturity dates.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 7 - LONG-TERM LIABILITIES (Continued)

CAPITAL LEASES

A summary of assets acquired through capital leases is as follows as of June 30, 2005:

	Governmental
	Activites
Vehicles	\$ 351,064
Less: accumulated amortization	(245,745)
	<u>\$ 105,319</u>

Amortization expense relative to leased property under capital leases totaled \$70,213 for the year ended June 30, 2005 and is included in depreciation and amortization expense disclosed in Note 4.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 is as follows:

	Governmental
	Activites
Year Ending June 30:	
2006	\$ 58,629
2007	58,629
Total minimum lease payments	<u>117,258</u>
Less: amount representing interest	8,966
Present value of minimum lease payments	<u>108,292</u>
Less: current portion	52,705
	<u>\$ 55,587</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 8 - FUND BALANCE RESERVATIONS AND DESIGNATIONS

RESERVED FUND BALANCE

Descriptions of significant fund balance reservations reported in the governmental funds balance sheet as of June 30, 2005 are as follows:

Reserve for Inventory	\$ 12,795
Reserve for Sanitation	42,148
Reserve for Document Preservation	11,879
Reserve for Endowments	<u>52,497</u>
Total Fund Balance – Reserved	<u>\$ 119,319</u>

DESIGNATED FUND BALANCE

Designations, of unreserved fund balance reported in the governmental funds balance sheet, represent the Town's self-imposed limitations on the use of otherwise available expendable financial resources of governmental funds. Descriptions of significant unreserved fund balance designations reported in the governmental fund balance sheet as of June 30, 2005 are as follows:

Designated for Capital Reserves	\$ 1,942,608
Designated for Capital and Nonrecurring	642,461
Designated for Compensated Absences	<u>283,774</u>
Total Designated Fund Balance – Unreserved	<u>\$ 2,868,843</u>

The amount designated for Capital Reserves totaling \$1,942,608 was created by the Board of Finance, as mandated by the Town Charter, to reserve 5 to 7% of the operating budget to support the working capital requirements of the Town. Each year, the Board of Finance transfers the unallocated contingency fund to this account.

NOTE 9 - PENSION PLANS

DEFINED CONTRIBUTION PLANS

Money Purchase Plan

The Town provides pension plan benefits for all full-time and part-time employees of the Town Hall through a non-contributory money purchase plan. Employees are eligible to participate from the date of employment. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested from the date of employment. The Town is required to contribute 7.1% of the payroll of the active employees.

The Town's contribution amounted to \$116,044 for the year ended June 30, 2005. All monies contributed are used to purchase insurance contracts on behalf of the participants, therefore the assets of the plan are not included in the Town's basic financial statements.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 9 - PENSION PLANS (Continued)

DEFINED CONTRIBUTION PLANS (Continued)

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. Employee deferrals amounted to \$142,547 for the year ended June 30, 2005. Plan enrollment totaled 51 people at June 30, 2005. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Accordingly, the assets of the trust are not included in the Town's basic financial statements.

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Description of the Plan

The Town participates in the Connecticut Municipal Employee's Retirement System (MERS), which is a cost-sharing multiple employer defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission. MERS covers all full time employees of the Town, except for Board of Education employees who participate in the Connecticut State Teacher's Retirement System. MERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. There are no separate financial statements available for MERS.

Terms of the Plan

Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases between 3% and 5% are paid to disabled members and non-disabled retired members who have reached age 65. Effective January 1, 2002, all other retired members receive a 2.5% annual adjustment until age 65, at which point they will receive the same COLA as those currently age 65. For those retiring after December 31, 2001, annual cost of living increases will be between 2.5% and 6%. All benefits vest after 5 years of continuous service or 15 years of active aggregated service. Members who retire after age 55 with 10 years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable for life, in an amount for each year of service equal to:

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.
- If covered by Social Security: 1-1/2% of the three-year average of earnings not in excess of the year's breakpoint. The year's breakpoint for 2004 is \$38,600.

Funding Policy

Covered employees are required by State statute to contribute 2.25% of earnings upon which Social Security Tax is paid plus 5% of earnings on which no Social Security Tax is paid. The Town's current rate of contributions is equivalent to 3.75% of the annual active member payroll. The contribution requirement of plan members and the participating towns are established and may be amended by the State Retirement Commission through revision of State statutes.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 9 - PENSION PLANS (Continued)

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost

For the year ended June 30, 2005 the Town's annual pension cost of \$116,044 was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2004 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions used include the following:

- Rate of return on the investment of present and future assets of 8.5% per year compounded annually.
- Projected salary increases of 3.75% per year compounded annually, attributable to inflation.
- Additional projected salary increases ranging from 7.50% to 0.75%, per year, attributable to seniority/merit.
- Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increase of 4.0% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.5% are assumed for those who have not yet reached age 65. For members that retire after December 31, 2001, increases of 2.6% are assumed, regardless of age.

The actuarial value of plan assets is based on a market-related method that recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed 5-year period.

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2003	\$ 99,485	100.0%	-
June 30, 2004	126,413	100.0%	-
June 30, 2005	116,044	100.0%	-

Required Supplementary Information - Analysis of Funding Progress (in millions of dollars)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3) % Funded (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (4)/(5)
July 1, 2002	\$ 1,403	\$ 1,319	106%	\$ (84)	\$ 322	(26)
July 1, 2003	1,418	1,379	103	(39)	326	(12)
July 1, 2004	1,434	1,393	103	(41)	323	(12)

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005

NOTE 9 - PENSION PLANS (Continued)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. Prior to completing five years of service, teachers are fully vested in their contributions up to 5% of their earnings. After five years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on actuarial information for the plan as a whole which does not provide actuarial information on an individual town basis. For the year ended June 30, 2005, Town teachers contributed \$873,141 to the plan and covered payroll for the period was \$12,043,326.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$732,234 made by the State of Connecticut into the Teachers' Retirement System as intergovernmental revenues and education expenditures of the general fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE 10 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town has commercial insurance for all risks of loss including workers' compensation, employee health and accident and property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 11 - CONTINGENT LIABILITIES

The Town has been named in a lawsuit filed by a union representing certain employees seeking entitlement to some or all of the proceeds received by the Town during 2002 from the demutualization of Anthem Inc. This issue is common to many local governments and school districts throughout the State of Connecticut. Should the union prevail in this matter, the maximum exposure to the Town for this case will be limited to the amount each employee/member contributed to the premiums paid during the computation period. The Ellington Teachers' Association (the "Association") has already made such a claim through the teacher grievance process and the Town's Board of Education settled their claim with that Association during the year ended June 30, 2003.

There are several other lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

Combining and Individual Fund Statements and Schedules

General Fund

TOWN OF ELLINGTON
SCHEDULE OF REVENUES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS			VARIANCE OVER (UNDER)
	ORIGINAL	FINAL	ACTUAL	
PROPERTY TAXATION				
Revenues from Property Taxes	\$ 24,196,431	\$ 24,196,431	\$ 24,128,339	\$ (68,092)
Interest and Lien Fees	155,000	155,000	170,131	15,131
Total Property Taxation	24,351,431	24,351,431	24,298,470	(52,961)
INTERGOVERNMENTAL - EDUCATION				
Education Cost Sharing Grant	7,790,580	7,790,580	7,748,493	(42,087)
Transportation	323,107	323,107	306,870	(16,237)
Adult Education and Vocational Agriculture	11,630	11,630	12,091	461
Blind Grant	-	-	28,521	28,521
Building Grant	163,751	163,751	163,752	1
Total Intergovernmental - Education	8,289,068	8,289,068	8,259,727	(29,341)
INTERGOVERNMENTAL - OTHER				
Town Aid Road	108,940	108,940	107,765	(1,175)
Elderly Circuit Breaker Reimbursement	72,873	72,873	73,923	1,050
Manufacturers Machinery/Equipment Grant	138,674	138,674	136,413	(2,261)
Disability Reimbursement	-	-	923	923
State Property Forest	7,516	7,516	7,784	268
Mashantucket Pequot Fund	74,347	74,347	82,511	8,164
Circuit Court Fines	145	145	35	(110)
Housing Authority	9,145	9,145	8,888	(257)
In Lieu of Taxes - Boats	3,848	3,848	3,849	1
Dog Damage	100	100	-	(100)
Telephone Tax/SNET	74,935	74,935	74,901	(34)
Additional Income Veterans	13,325	13,325	15,070	1,745
Local Capital Improvement Program	101,760	101,760	97,782	(3,978)
DWI	-	-	7,219	7,219
Erase Grant	-	-	3,105	3,105
CRRRA Transfer Station Use Fee	7,200	7,200	6,294	(906)
FEMA Disaster #3176	-	-	38,111	38,111
North Central Area Agency on Aging	-	-	2,447	2,447
Emergency Management	4,460	4,460	2,080	(2,380)
Pupil Tuition	20,000	20,000	63,278	43,278
BOE-Windermere Modular Classrooms	19,200	19,200	19,200	-
BOE- Special Ed Van	40,000	40,000	33,537	(6,463)
Historical Preserve Award	-	-	7,000	7,000
Total Intergovernmental - Other	696,468	696,468	792,115	95,647
CHARGES FOR GOODS AND SERVICES				
Building Department	325,000	325,000	344,412	19,412
Planning and Zoning	100,000	100,000	71,874	(28,126)
Fire Marshal	750	750	999	249
Parks and Recreation	17,900	17,900	18,220	320
Recreation Program Receipts	157,388	157,388	102,822	(54,566)
Recreation Intra Agency After School	15,000	15,000	-	(15,000)
Cultural Arts	5,000	5,000	4,458	(542)
Town Clerk Conveyance Tax	190,000	190,000	251,794	61,794
Town Clerk Recording Fees and Licenses	217,700	217,700	173,532	(44,168)
Aircraft Registration	2,590	2,590	2,770	180
Board of Education	1,000	1,000	-	(1,000)
Special Duty	10,000	10,000	24,239	14,239
Animal Control Officer Fees and Licenses	23,000	23,000	22,981	(19)
Animal Control Donations	100	100	80	(20)
Police DARE Donations	1,500	1,500	2,025	525
Youth Service Donations	1,000	1,000	2,110	1,110
Youth Service Activities	4,000	4,000	4,160	160
Senior Center Donations	-	-	75	75
Senior Center EMATS	-	-	220	220
Human Service Counseling Services	1,000	1,000	125	(875)
Human Service Donations	1,000	1,000	2,583	1,583
Human Services Food Pantry Donations	1,000	1,000	982	(18)
Human Services Rope Donations	1,000	1,000	2,910	1,910
Total Charges for Goods and Services	1,075,928	1,075,928	1,033,371	(42,557)

TOWN OF ELLINGTON
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - (Continued)
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
INTEREST AND DIVIDENDS				
Interest and Dividends	\$ 100,000	\$ 100,000	\$ 135,362	\$ 35,362
OTHER REVENUES				
WPCA	218,615	218,615	218,615	-
Insurance Claims and Refunds	5,000	5,000	25,678	20,678
WPCA Reimbursement	24,105	24,105	26,400	2,295
WPCA Reimbursement Maintenance Budget	98,113	98,113	83,847	(14,266)
Building Demolition	3,000	3,000	-	(3,000)
Sundry Refunds and Receipts	3,000	3,000	3,462	462
Rental Income of Town Property	14,900	14,900	14,432	(468)
Sale of Property	-	-	2,797	2,797
Total Other Revenues	366,733	366,733	375,231	8,498
TOTAL BUDGETARY REVENUES	\$ 34,879,628	\$ 34,879,628	\$ 34,894,276	\$ 14,648

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS			VARIANCE UNDER (OVER)
	ORIGINAL	FINAL	ACTUAL	
GENERAL GOVERNMENT				
Board of Selectmen	\$ 163,820	\$ 163,820	\$ 160,417	\$ 3,403
Board of Finance	7,250	8,161	8,161	-
Auditors	27,500	57,400	57,400	-
Auditors - Special Project	100	100	-	100
Finance Officer	203,819	203,819	198,877	4,942
Tax Assessor	182,268	182,268	157,721	24,547
Tax Collector	128,958	128,958	127,487	1,471
Board of Tax Review	500	500	362	138
Insurance Advisory Board	100	100	-	100
Town Clerk	189,364	189,438	189,438	-
Town Counsel	75,000	115,124	115,123	1
Probate Court	6,955	6,955	3,477	3,478
Town Planner	187,671	187,671	186,782	889
Total General Government	1,173,305	1,244,314	1,205,245	39,069
BOARDS AND AGENCIES				
Registrars and Electors	42,758	42,758	39,034	3,724
Economic Development Commission	6,700	6,700	3,783	2,917
Planning and Zoning	19,415	25,650	25,649	1
Design Board	100	100	-	100
Zoning Board of Appeals	6,176	6,176	5,791	385
Permanent Building Commission	1,850	1,850	773	1,077
Inland Wetland Agency	9,200	9,200	6,629	2,571
Conservation Commission	2,500	2,500	2,500	-
WPCA	1	1	-	1
Total Boards and Agencies	88,700	94,935	84,159	10,776
PUBLIC SAFETY				
Center Fire Department	105,510	105,698	105,697	1
Crystal Lake Fire Department	52,837	66,837	64,255	2,582
Fire Protection Hydrants	252,214	252,214	232,977	19,237
Emergency 911	36,425	36,425	36,259	166
Police	580,140	586,538	586,537	1
Police Special Duty	10,000	17,450	17,449	1
Police Drug Abuse Resistance Education	1,500	2,026	2,025	1
Animal Control Officer	67,956	67,956	61,064	6,892
Emergency Management	12,000	12,444	12,444	-
Building Department	107,266	107,266	100,955	6,311
Volunteer Ambulance	135,530	141,564	141,564	-
Emergency Service Incentive Program	89,375	95,340	95,339	1
Public Safety Commission	100	156	155	1
Fire Marshal	59,623	60,138	60,138	-
Total Public Safety	1,510,476	1,552,052	1,516,858	35,194
PUBLIC WORKS				
General Town Roads	1,126,600	1,141,724	1,141,724	-
New Equipment	7,500	11,502	11,501	1
Equipment Maintenance	114,986	125,821	125,820	1
Town Garage	40,825	48,347	48,346	1
Street Signs	10,000	11,743	11,743	-
Grounds Maintenance - BOE/Parks	43,058	48,835	48,834	1
Town Aid Road - Winter	90,000	237,318	237,318	-
Town Aid Road - Materials	186,215	233,361	233,361	-
Sanitary Landfill	451,680	404,260	347,789	56,471
Sanitary Recycling	214,405	230,526	230,526	-
Household Hazardous Waste	26,000	26,000	18,533	7,467
WPCA Maintenance	60,000	68,793	68,792	1
Street Lighting	68,208	68,208	53,703	14,505
Engineer and Inspections	65,000	97,763	97,762	1
Total Public Works	2,504,477	2,754,201	2,675,752	78,449

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE UNDER (OVER)
	ORIGINAL	FINAL		
RECREATION				
Parks and Recreation	\$ 303,895	\$ 303,895	\$ 242,509	\$ 61,386
Cultural Arts	12,000	12,000	11,534	466
Interagency After School Program	20,000	20,000	4,975	15,025
Total Recreation	335,895	335,895	259,018	76,877
LIBRARY				
Hall Memorial Library	396,495	402,946	402,945	1
Total Library	396,495	402,946	402,945	1
HUMAN SERVICES				
Public Health Nursing	7,225	7,225	4,565	2,660
Tri-Town Emergency Shelter	4,000	4,000	4,000	-
Connecticut Legal Services	1,200	1,200	1,200	-
Women's Center Northeast Connecticut	1,100	1,100	1,100	-
Regional Mental Health Board	904	904	904	-
Kidsafe CT	2,500	2,500	2,500	-
Hockanum Valley Community Council	18,000	18,000	18,000	-
Food Pantry	500	500	318	182
Rope	10,000	10,874	10,874	-
Youth Activity Programs	21,845	21,845	19,340	2,505
Hartford Interval House	1,500	1,500	1,500	-
Human Services	145,079	145,079	144,028	1,051
North Central Health District	45,463	45,463	45,463	-
Welfare	15,000	15,000	12,265	2,735
Municipal Agent	1,500	1,500	1,263	237
Senior Center	98,919	146,847	146,847	-
Total Social Services	374,735	423,537	414,167	9,370
TOWN PROPERTIES				
Town Hall	258,550	287,317	287,317	-
Center Cemetary	500	500	500	-
Arbor Commons	14,800	14,800	10,418	4,382
Total Town Properties	273,850	302,617	298,235	4,382
DEBT SERVICE				
Debt Redemption - Principal	2,052,372	2,052,372	2,052,372	-
Debt Redemption - Interest	1,019,618	1,019,618	982,114	37,504
Total Debt Service	3,071,990	3,071,990	3,034,486	37,504
MISCELLANEOUS				
Social Security	248,813	248,813	242,746	6,067
Insurance	1,264,215	1,142,215	1,141,655	560
Insurance Reimbursement and Claims	7,500	25,182	25,181	1
Insurance Prior Year	5,000	5,866	5,866	-
Service Insurance	56,000	56,000	56,000	-
Contingency Fund	125,000	125,000	125,000	-
Capital Reserve Fund	100	100	-	100
AD HOC Alcohol/Drug Council	5,500	5,500	5,398	102
CADAC-Recreation	2,400	2,400	-	2,400
Memorial Day Committee	1,250	1,640	1,640	-
Miscellaneous	100	100	100	-
Referendum	10,000	19,677	19,677	-
Building Demolition/Eviction	5,000	5,000	1,848	3,152
Town Communications	7,500	7,500	7,468	32
Town Web Site	5,000	5,000	4,938	62
Grant Applications	5,000	5,000	2,648	2,352
Total Miscellaneous	1,748,378	1,654,993	1,640,165	14,828

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS			VARIANCE UNDER (OVER)
	ORIGINAL	FINAL	ACTUAL	
CAPITAL OUTLAYS				
Unimproved Road Improvement	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Local Capital Improvement Program	101,760	101,760	101,760	-
Road Overlay	200,000	200,000	200,000	-
Townwide Sidewalks	18,000	18,000	18,000	-
Snipsic Village Renovation Project	-	67,000	67,000	-
DPW-Small Dump Truck-Replacement	35,000	35,000	35,000	-
Revaluations	125,400	125,400	125,400	-
EVAC-Replacement Defrib Equipment	-	19,973	19,973	-
EVAC Equipment	12,700	12,700	12,700	-
EVAC Replace Flooring	10,000	10,000	10,000	-
EVFD - Radio Equipment Upgrade	10,000	10,000	10,000	-
Fire House Engenering Review	10,000	10,000	10,000	-
Crystal Lake Renovation Wells	35,000	35,000	35,000	-
BOE - Wheelchair Van	40,000	40,000	33,537	6,463
BOE - Systemwide Architectual Study	15,000	15,000	15,000	-
BOE - HS Drainage/Electrical Work	65,000	65,000	65,000	-
Total Capital Outlays	752,860	839,833	833,370	6,463
EDUCATION				
Salaries				
Administrative	997,192	1,004,083	1,004,083	-
Faculty	11,226,969	11,084,269	11,084,268	1
Secretarial	612,391	614,185	614,185	-
Custodial	737,954	740,252	740,251	1
Health Aides	208,986	217,148	217,148	-
Instructor Aides	712,505	694,572	694,572	-
General Aides	22,152	13,975	13,974	1
Media Personnel	53,141	52,142	52,141	1
Severance	-	74,873	74,872	1
Alpha and Omega Faculty	2,734	324	323	1
Secretarial Substitutes	24,917	16,315	16,314	1
Custodial Substitutes	25,750	24,934	24,934	-
Substitute Teachers	172,461	226,344	226,344	-
Coaches and Advisors	187,545	189,547	189,547	-
Custodial Overtime	74,410	70,651	70,650	1
Total Salaries	15,059,107	15,023,614	15,023,606	8
Employee Benefits				
Health Benefits	3,002,599	2,814,379	2,814,379	-
Social Security	342,839	364,623	364,623	-
Unemployment	5,000	8,406	8,406	-
Retirement - MERS	157,250	148,040	148,039	1
Course Tuition	1,000	-	-	-
Total Employee Benefits	3,508,688	3,335,448	3,335,447	1
Contracted Services				
Program Improvement	82,570	53,869	53,869	-
Pupil Services	76,826	83,757	83,757	-
Management Services	18,654	13,977	13,976	1
Professional/Tech Serv	316,037	321,282	321,282	-
Public Utilities-Electricity	287,522	313,191	313,191	-
Other Property Services	153,240	147,018	147,017	1
Property Insurance	170,200	187,378	187,378	-
Rentals	115,794	97,545	97,545	-
Repairs Instrument Equipment	41,055	28,794	28,794	-
Propane	74,215	29,834	29,834	-
Water	36,272	44,177	44,177	-
Repairs/Maintenance	131,969	123,257	123,257	-
Regional Pupil Transportation	1,037,539	1,039,527	1,039,526	1
Conference/Travel/Admin.	20,250	14,216	14,215	1
Conference/Travel/Teachers	10,000	10,512	10,511	1
Special Ed Transp.	238,401	239,681	239,680	1
Athletic Transportation	35,400	32,557	32,557	-
Cheney Vo-Ag Transportation	53,591	53,001	53,000	1
Conference/Travel Support Staff	7,300	3,145	3,144	1
Other Transportation Service	8,000	6,609	6,609	-
Communications/Telephone	62,573	34,040	34,039	1
Printing /Advertising	37,217	41,281	41,281	-
Outside Tuition	589,071	583,708	583,707	1
Total Contracted Services	3,603,696	3,502,356	3,502,346	10

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE UNDER (OVER)
	ORIGINAL	FINAL		
Capital Outlays				
Replacement Equipment	\$ 50,002	\$ 58,728	\$ 58,728	\$ -
Total Capital Outlays	50,002	58,728	58,728	-
Supplies and Materials				
Administrative Supplies	53,608	43,608	43,608	-
Program Supplies	273,632	247,039	247,039	-
Special Education	31,930	27,964	27,963	1
Basic	106,920	108,643	108,643	-
Custodial/Maintenance Gasoline	13,938	10,397	10,396	1
Custodial Supplies	59,277	60,456	60,455	1
Heating Fuel and Gasoline	114,986	201,529	201,528	1
Textbooks	-	161,200	161,200	-
Library/Media	64,760	53,253	53,253	-
Total Supplies and Materials	719,051	914,089	914,085	4
Miscellaneous				
Dues and Memberships	34,174	27,479	27,478	1
Transfer account	-	75,018	-	75,018
Food Service	158,385	176,617	176,617	-
Townwide Maintenance Program	40,000	59,754	59,754	-
Total Miscellaneous	232,559	338,868	263,849	75,019
TOTAL BOARD OF EDUCATION	23,173,103	23,173,103	23,098,061	75,042
TOTAL BUDGETARY EXPENDITURES	\$ 35,404,264	\$ 35,850,416	\$ 35,462,461	\$ 387,955

TOWN OF ELLINGTON
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2005

GRAND LIST YEAR	BALANCE UNCOLLECTED JUNE 30, 2004	CURRENT LEVY	LAWFUL CORRECTIONS ADDITIONS	DEDUCTIONS	TRANSFERS TO SUSPENSE	BALANCE TO BE COLLECTED	TAXES	INTEREST	COLLECTIONS LIEN FEES	TOTAL	REFUNDS AND ADJUSTMENTS	BALANCE UNCOLLECTED JUNE 30, 2005
2003	\$ -	\$ 24,167,299	\$ 104,991	\$ 181,357	-	\$ 24,090,933	\$ 23,854,672	\$ 71,067	\$ 2,220	\$ 23,927,959	\$ 47,452	\$ 283,713
2002	310,706	-	2,721	42,292	-	271,135	104,741	28,912	1,758	135,411	22,306	188,700
2001	179,066	-	-	23,259	-	155,807	49,182	21,043	654	70,879	2,199	108,824
2000	108,492	-	-	-	1,620	110,112	26,491	13,753	288	40,532	-	83,677
1999	84,418	-	-	-	-	84,418	16,407	9,483	192	26,082	56	68,011
1998	58,474	-	-	-	-	58,474	7,427	4,670	96	12,193	-	51,047
1997	46,439	-	-	-	-	46,439	4,997	8,152	24	13,173	-	41,442
1996	34,925	-	-	-	-	34,925	2,587	1,362	24	3,973	-	32,338
1995	22,487	-	-	-	-	22,487	1,310	1,786	24	3,120	-	21,177
1994	16,601	-	-	-	-	16,601	1,965	2,751	-	4,716	-	14,636
1993	13,753	-	-	-	-	13,753	-	35	-	35	-	13,753
1992	12,164	-	-	-	-	12,164	-	-	-	-	-	12,164
1991	10,396	-	-	-	-	10,396	-	196	-	196	-	10,396
1990	6,971	-	-	-	73	7,044	449	1,098	-	1,547	-	6,595
1989	4,235	-	-	-	-	4,235	-	296	-	296	-	4,235
1988	3,328	-	-	-	-	3,328	-	-	-	-	-	3,328
1987	1,938	-	-	-	(1,938)	-	-	-	-	-	-	-
	\$ 914,393	\$ 24,167,299	\$ 107,712	\$ 246,908	\$ (245)	\$ 24,942,251	\$ 24,070,228	\$ 164,604	\$ 5,280	\$ 24,240,112	\$ 72,013	\$ 944,036

TOWN OF ELLINGTON
STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374 (b)
JUNE 30, 2005

Total cash collections for the
year ended June 30, 2005

Taxes	\$	24,070,228
Interest and lien fees		169,884
Total		<u>24,240,112</u>

Reimbursed for
Tax relief for elderly

		73,923
Base	\$	<u>24,314,035</u>

Debt limitation:

	GENERAL PURPOSE	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
2-1/4 times base	\$ 54,706,579	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	109,413,158	-	-	-
3-3/4 times base	-	-	91,177,631	-	-
3-1/4 times base	-	-	-	79,020,614	-
3 times base	-	-	-	-	72,942,105
Total debt limitation	<u>54,706,579</u>	<u>109,413,158</u>	<u>91,177,631</u>	<u>79,020,614</u>	<u>72,942,105</u>

Indebtedness:

Bonds and notes payable	2,110,000				
Less: sewer assessments and usage charges receivable	-	19,862,500	2,066,900	-	-
Less: amounts to be provided by the State	-	-	214,734	-	-
Total indebtedness	<u>2,110,000</u>	<u>18,963,463</u>	<u>1,852,166</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of
Outstanding and authorized debt

\$	<u>52,596,579</u>	\$	<u>90,449,695</u>	\$	<u>89,325,465</u>	\$	<u>79,020,614</u>	\$	<u>72,942,105</u>
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Total capacity of borrowing (7 times base)

\$	170,198,245
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Total present indebtedness

	<u>22,925,629</u>
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Margin for additional borrowing

\$	<u>147,272,616</u>
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Combining Statements

TOWN OF ELLINGTON
COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 358,915	\$ -	\$ -	\$ 358,915
Investments	387,066	118,542	648,048	1,153,656
Receivables:				
Grants and contracts receivable	68,038	310,402	-	378,440
Other	70,490	-	-	70,490
Due from other funds	15,727	94,523	1,569	111,819
Inventories	12,795	-	-	12,795
Total assets	<u>\$ 913,031</u>	<u>\$ 523,467</u>	<u>\$ 649,617</u>	<u>\$ 2,086,115</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 28,367	\$ 75,629	\$ 676	\$ 104,672
Due to other funds	79,421	297,731	-	377,152
Deferred revenue	27,139	-	-	27,139
Due to funding source	11,178	-	-	11,178
Total liabilities	<u>146,105</u>	<u>373,360</u>	<u>676</u>	<u>520,141</u>
Fund Balances:				
Reserved for:				
Inventories	12,795	-	-	12,795
Sanitation	42,148	-	-	42,148
Document preservation	11,879	-	-	11,879
Endowments	-	-	52,497	52,497
Unreserved	700,104	150,107	596,444	1,446,655
Total fund balances	<u>766,926</u>	<u>150,107</u>	<u>648,941</u>	<u>1,565,974</u>
Total liabilities and fund balances	<u>\$ 913,031</u>	<u>\$ 523,467</u>	<u>\$ 649,617</u>	<u>\$ 2,086,115</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ 1,591,115	\$ 162,807	\$ -	\$ 1,753,922
Charges for services	288,350	-	-	288,350
Food sales	510,171	-	-	510,171
Interest and dividends	9,373	1,809	19,020	30,202
Other income	4,214	291,459	8,345	304,018
Total revenues	<u>2,403,223</u>	<u>456,075</u>	<u>27,365</u>	<u>2,886,663</u>
EXPENDITURES				
Current:				
Miscellaneous	-	-	6,453	6,453
Program expenditures	2,208,574	-	1,943	2,210,517
Capital outlays	-	395,545	-	395,545
Total expenditures	<u>2,208,574</u>	<u>395,545</u>	<u>8,396</u>	<u>2,612,515</u>
Excess of revenues over expenditures	194,649	60,530	18,969	274,148
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(99,199)</u>	<u>-</u>	<u>-</u>	<u>(99,199)</u>
Net change in fund balances	95,450	60,530	18,969	174,949
Fund balances - beginning	<u>671,476</u>	<u>89,577</u>	<u>629,972</u>	<u>1,391,025</u>
Fund balances - ending	<u>\$ 766,926</u>	<u>\$ 150,107</u>	<u>\$ 648,941</u>	<u>\$ 1,565,974</u>

*Special Revenue
Funds*

TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	CRRRA Sanitation Control	Dog Fund	Education Grants	School Lunch	Ambulance Fee Program	Youth Service Bureau	HUD	
							Small Cities Housing Rehab Program	HUD Small Cities Rehab 2002
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 48,231	\$ 176,444	\$ 22,286	\$ -	\$ 60,735	\$ 10
Investments	42,148	-	-	-	333,079	-	-	-
Receivables:								
Grants and contracts receivable	-	-	4,802	13,983	-	-	-	-
Other	-	-	-	-	70,490	-	-	-
Due from other funds	-	11,178	-	-	-	4,238	-	206
Inventories	-	-	-	12,795	-	-	-	-
Total assets	<u>\$ 42,148</u>	<u>\$ 11,178</u>	<u>\$ 53,033</u>	<u>\$ 203,222</u>	<u>\$ 425,855</u>	<u>\$ 4,238</u>	<u>\$ 60,735</u>	<u>\$ 216</u>
LIABILITIES AND FUND BALANCES (DEFICIT)								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 25,894	\$ 1,896	\$ 577	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	13,570	-	3,018	-
Deferred revenue	-	-	27,139	-	-	-	-	-
Due to funding source	-	11,178	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>11,178</u>	<u>53,033</u>	<u>1,896</u>	<u>14,147</u>	<u>-</u>	<u>3,018</u>	<u>-</u>
Fund Balances (deficit):								
Reserved for:								
Inventories	-	-	-	12,795	-	-	-	-
Sanitation	42,148	-	-	-	-	-	-	-
Document preservation	-	-	-	-	-	-	-	-
Unreserved	-	-	-	188,531	411,708	4,238	57,717	216
Total fund balances	<u>42,148</u>	<u>-</u>	<u>-</u>	<u>201,326</u>	<u>411,708</u>	<u>4,238</u>	<u>57,717</u>	<u>216</u>
Total liabilities and fund balances	<u>\$ 42,148</u>	<u>\$ 11,178</u>	<u>\$ 53,033</u>	<u>\$ 203,222</u>	<u>\$ 425,855</u>	<u>\$ 4,238</u>	<u>\$ 60,735</u>	<u>\$ 216</u>

TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2005

	Historic Document Preservation	STEAP McKnight House	STEAP Snipsic Village Renovation	Small Cities Program Income	Small Cities Snipsic Village 2004	HUD Small Cities Rehab 2005	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 51,199	\$ 10	\$ -	\$ 358,915
Investments	11,839	-	-	-	-	-	387,066
Receivables:							
Grants and contracts receivable	-	-	49,253	-	-	-	68,038
Other	-	-	-	-	-	-	70,490
Due from other funds	40	-	-	-	65	-	15,727
Inventories	-	-	-	-	-	-	12,795
Total assets	<u>\$ 11,879</u>	<u>\$ -</u>	<u>\$ 49,253</u>	<u>\$ 51,199</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 913,031</u>
LIABILITIES AND FUND BALANCES (DEFICIT)							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,367
Due to other funds	-	-	49,253	13,570	-	10	79,421
Deferred revenue	-	-	-	-	-	-	27,139
Due to funding source	-	-	-	-	-	-	11,178
Total liabilities	<u>-</u>	<u>-</u>	<u>49,253</u>	<u>13,570</u>	<u>-</u>	<u>10</u>	<u>146,105</u>
Fund Balances (deficit):							
Reserved for:							
Inventories	-	-	-	-	-	-	12,795
Sanitation	-	-	-	-	-	-	42,148
Document preservation	11,879	-	-	-	-	-	11,879
Unreserved	-	-	-	37,629	75	(10)	700,104
Total fund balances (deficit)	<u>11,879</u>	<u>-</u>	<u>-</u>	<u>37,629</u>	<u>75</u>	<u>(10)</u>	<u>766,926</u>
Total liabilities and fund balances	<u>\$ 11,879</u>	<u>\$ -</u>	<u>\$ 49,253</u>	<u>\$ 51,199</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 913,031</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	CRRRA Sanitation Control	Dog Fund	Education Grants	School Lunch	Ambulance Fee Program	Youth Service Bureau	HUD Small Cities Housing Rehab Program	HUD Small Cities Rehab 2002
REVENUES								
Intergovernmental	\$ -	\$ -	\$ 595,840	\$ 106,587	\$ -	\$ 14,000	\$ -	\$ 199,252
Charges for services	-	61,064	-	-	204,811	-	8,225	-
Food sales	-	-	-	510,171	-	-	-	-
Interest and dividends	752	-	-	1,884	5,816	-	318	-
Other income	-	-	-	-	500	-	-	-
Total revenues	752	61,064	595,840	618,642	211,127	14,000	8,543	199,252
EXPENDITURES								
Current:								
Program expenditures	-	61,064	595,840	561,816	36,816	14,205	17,527	199,036
Total expenditures	-	61,064	595,840	561,816	36,816	14,205	17,527	199,036
Excess (deficiency) of revenues over expenditures	752	-	-	56,826	174,311	(205)	(8,984)	216
OTHER FINANCING USES								
Transfers out	-	-	-	-	(99,199)	-	-	-
Net change in fund balances	752	-	-	56,826	75,112	(205)	(8,984)	216
Fund balances - beginning	41,396	-	-	144,500	336,596	4,443	66,701	-
Fund balances - ending	\$ 42,148	\$ -	\$ -	\$ 201,326	\$ 411,708	\$ 4,238	\$ 57,717	\$ 216

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS BALANCES (Continued)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Historic Document Preservation	STEAP McKnight House	STEAP Snipsic Village Renovation	Small Cities Program Income	Small Cities Snipsic Village 2004	HUD Small Cities Rehab 2005	Total Nonmajor Special Revenue Funds
REVENUES							
Intergovernmental	\$ -	\$ 89,282	\$ 269,890	\$ -	\$ 316,264	\$ -	\$ 1,591,115
Charges for services	-	-	-	14,250	-	-	288,350
Food sales	-	-	-	-	-	-	510,171
Interest and dividends	291	-	-	312	-	-	9,373
Other income	3,714	-	-	-	-	-	4,214
Total revenues	4,005	89,282	269,890	14,562	316,264	-	2,403,223
EXPENDITURES							
Current:							
Program expenditures	8,820	89,282	269,890	38,079	316,189	10	2,208,574
Total expenditures	8,820	89,282	269,890	38,079	316,189	10	2,208,574
Excess (deficiency) of revenues over expenditures	(4,815)	-	-	(23,517)	75	(10)	194,649
OTHER FINANCING USES							
Transfers out	-	-	-	-	-	-	(99,199)
Net changes in fund balances	(4,815)	-	-	(23,517)	75	(10)	95,450
Fund balances - beginning	16,694	-	-	61,146	-	-	671,476
Fund balances (deficit) - ending	\$ 11,879	\$ -	\$ -	\$ 37,629	\$ 75	\$ (10)	\$ 766,976

***Capital Projects
Funds***

TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2005

	Local		Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
	Windsorville Road Improvement	Capital Improvement Program				
ASSETS						
Investments	\$ 22,431	\$ -	\$ 26,178	\$ -	\$ 16,012	\$ 53,921
Grants and contract receivables	-	264,471	-	45,931	-	-
Due from other funds	-	-	-	65,762	-	-
Total assets	<u>\$ 22,431</u>	<u>\$ 264,471</u>	<u>\$ 26,178</u>	<u>\$ 111,693</u>	<u>\$ 16,012</u>	<u>\$ 53,921</u>
LIABILITIES AND FUND BALANCES (DEFICIT)						
Liabilities:						
Accounts payable	\$ 10,700	\$ 64,929	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	199,542	-	-	-	-
Total liabilities	<u>10,700</u>	<u>264,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (deficit):						
Unreserved	11,731	-	26,178	111,693	16,012	53,921
Total fund balances	<u>11,731</u>	<u>-</u>	<u>26,178</u>	<u>111,693</u>	<u>16,012</u>	<u>53,921</u>
Total liabilities and fund balances	<u>\$ 22,431</u>	<u>\$ 264,471</u>	<u>\$ 26,178</u>	<u>\$ 111,693</u>	<u>\$ 16,012</u>	<u>\$ 53,921</u>

TOWN OF ELLINGTON
COMBINING BALANCE SHEET (Continued)
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2005

	Windermere			Airport		Total Nonmajor Capital Projects Funds
	School Addition	Windermere Relocation Bridge	Industrial Sewer Area			
ASSETS						
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,542
Grants and contract receivables	-	-	-	-	-	310,402
Due from other funds	-	28,761	-	-	-	94,523
Total assets	\$ -	\$ 28,761	\$ -	\$ -	\$ -	\$ 523,467
LIABILITIES AND FUND BALANCES (DEFICIT)						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	75,629
Due to other funds	98,189	-	-	-	-	297,731
Total liabilities	98,189	-	-	-	-	373,360
Fund Balances (deficit):						
Unreserved	(98,189)	28,761	-	-	-	150,107
Total fund balances (deficit)	(98,189)	28,761	-	-	-	150,107
Total liabilities and fund balances (deficit)	\$ -	\$ 28,761	\$ -	\$ -	\$ -	\$ 523,467

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Windsorville Road Improvement	Local Capital Improvement Program	Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
REVENUES						
Intergovernmental	\$ -	\$ 162,711	\$ -	\$ 96	\$ -	\$ -
Interest and dividends	400	-	158	-	287	964
Other income	-	-	19,750	-	-	-
Total revenues	400	162,711	19,908	96	287	964
EXPENDITURES						
Capital outlays	10,700	162,711	-	200	-	-
Total expenditures	10,700	162,711	-	200	-	-
Excess (deficiency) of revenues over expenditures	(10,300)	-	19,908	(104)	287	964
Fund balances - beginning	22,031	-	6,270	111,797	15,725	52,957
Fund balances - ending	\$ 11,731	\$ -	\$ 26,178	\$ 111,693	\$ 16,012	\$ 53,921

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Windermere School Addition	Windermere Relocation Bridge	Airport Industrial Sewer Area	Total Nonmajor Capital Projects Funds
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 162,807
Interest and dividends	-	-	-	1,809
Other income	-	-	271,709	291,459
Total revenues	-	-	271,709	456,075
EXPENDITURES				
Capital outlays	29,465	192,469	-	395,545
Total expenditures	29,465	192,469	-	395,545
Excess (deficiency) of revenues over expenditures	(29,465)	(192,469)	271,709	60,530
Fund balances (deficit) - beginning	(68,724)	221,230	(271,709)	89,577
Fund balances (deficit) - ending	\$ (98,189)	\$ 28,761	\$ -	\$ 150,107

*Permanent
Funds*

TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2005

	Marshall E. Charter	Kimball Memorial	John T. McKnight Maintenance	Eugene K. Mosley	Arthur Hyde	Sarah H. McKinney
ASSETS						
Investments	\$ 359,154	\$ 67,641	\$ 13,569	\$ 138	\$ 275	\$ 688
Due from other funds	863	170	34	-	-	-
Total assets	<u>\$ 360,017</u>	<u>\$ 67,811</u>	<u>\$ 13,603</u>	<u>\$ 138</u>	<u>\$ 275</u>	<u>\$ 688</u>

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 38	\$ 75	\$ 188
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>75</u>	<u>188</u>

Fund Balances:

Reserved for endowments	29,697	5,000	1,000	100	200	500
Unreserved	330,320	62,811	12,603	-	-	-
Total fund balances	<u>360,017</u>	<u>67,811</u>	<u>13,603</u>	<u>100</u>	<u>200</u>	<u>500</u>
Total liabilities and fund balances	<u>\$ 360,017</u>	<u>\$ 67,811</u>	<u>\$ 13,603</u>	<u>\$ 138</u>	<u>\$ 275</u>	<u>\$ 688</u>

TOWN OF ELLINGTON
COMBINING BALANCE SHEET (Continued)
NONMAJOR PERMANENT FUNDS
JUNE 30, 2005

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
ASSETS				
Investments	\$ 63,486	\$ 141,722	\$ 1,375	\$ 648,048
Due from other funds	145	357	-	1,569
Total assets	<u>\$ 63,631</u>	<u>\$ 142,079</u>	<u>\$ 1,375</u>	<u>\$ 649,617</u>

LIABILITIES AND FUND BALANCES

Liabilities				
Accounts payable	\$ -	\$ -	\$ 375	\$ 676
Total liabilities	<u>-</u>	<u>-</u>	<u>375</u>	<u>676</u>

Fund Balances:

Reserved for endowments	5,000	10,000	1,000	52,497
Unreserved	58,631	132,079	-	596,444
Total fund balances	<u>63,631</u>	<u>142,079</u>	<u>1,000</u>	<u>648,941</u>
Total liabilities and fund balances	<u>\$ 63,631</u>	<u>\$ 142,079</u>	<u>\$ 1,375</u>	<u>\$ 649,617</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Marshall E. Charter	Kimball Memorial	John T. McKnight Maintenance	Eugene K. Mosley	Arthur Hyde	Sarah H. McKinney
REVENUES						
Interest and dividends	\$ 11,559	\$ 1,552	\$ 312	\$ 2	\$ 5	\$ 12
Other income	1,694	2,018	405	-	-	-
Total revenues	<u>13,253</u>	<u>3,570</u>	<u>717</u>	<u>2</u>	<u>5</u>	<u>12</u>
EXPENDITURES						
Current:						
Program expenditures	-	801	161	2	5	12
Miscellaneous	4,086	-	-	-	-	-
Total expenditures	<u>4,086</u>	<u>801</u>	<u>161</u>	<u>2</u>	<u>5</u>	<u>12</u>
Excess of revenues over expenditures	9,167	2,769	556	-	-	-
Fund balances - beginning	350,850	65,042	13,047	100	200	500
Fund balances - ending	<u>\$ 360,017</u>	<u>\$ 67,811</u>	<u>\$ 13,603</u>	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 500</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
REVENUES				
Interest and dividends	\$ 2,300	\$ 3,253	\$ 25	\$ 19,020
Other income	-	4,228	-	8,345
Total revenues	<u>2,300</u>	<u>7,481</u>	<u>25</u>	<u>27,365</u>
EXPENDITURES				
Current:				
Program expenditures	937	-	25	1,943
Miscellaneous	688	1,679	-	6,453
Total expenditures	<u>1,625</u>	<u>1,679</u>	<u>25</u>	<u>8,396</u>
Excess of revenues over expenditures	675	5,802	-	18,969
Fund balances - beginning	<u>62,956</u>	<u>136,277</u>	<u>1,000</u>	<u>629,972</u>
Fund balances - ending	<u>\$ 63,631</u>	<u>\$ 142,079</u>	<u>\$ 1,000</u>	<u>\$ 648,941</u>

*Proprietary
Funds*

TOWN OF ELLINGTON
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2005

	<u>Solid Waste Collection</u>	<u>Watermains, Tripp and Middle Roads</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS			
Sewer usage charges receivable, net of allowance for uncollectibles of \$3,100	\$ 19,865	\$ -	\$ 19,865
Deferred assessments	-	52,764	52,764
Due from other funds	14,186	-	14,186
Total assets	<u>34,051</u>	<u>52,764</u>	<u>86,815</u>
LIABILITIES			
Deferred revenue	-	52,764	52,764
Due to other funds	-	133,769	133,769
Total liabilities	<u>-</u>	<u>186,533</u>	<u>186,533</u>
NET ASSETS (DEFICIT)			
Unrestricted	34,051	(133,769)	(99,718)
Total net assets (deficit)	<u>\$ 34,051</u>	<u>\$ (133,769)</u>	<u>\$ (99,718)</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Solid Waste Collection	Watermains, Tripp and Middle Roads	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Solid waste fees	\$ 399,236	\$ -	\$ 399,236
OPERATING EXPENSES			
Public works and administrative expenses	378,886	-	378,886
Other	47	-	47
Total operating expenses	378,933	-	378,933
Change in net assets	20,303	-	20,303
Net assets (deficit) - beginning	13,748	(133,769)	(120,021)
Net assets (deficit) - ending	\$ 34,051	\$ (133,769)	\$ (99,718)

TOWN OF ELLINGTON
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Solid Waste Collection	Watermains, Tripp and Middle Roads	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 383,923	\$ -	\$ 383,923
Payments for interfund services provided	(4,990)	-	(4,990)
Payments to suppliers	(378,933)	-	(378,933)
Net cash provided by (used in) operating activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 20,303	\$ -	\$ 20,303
(Increase) decrease in assets:			
Sewer usage receivable, net	(1,127)	-	(1,127)
Deferred assessments	-	-	-
Due from other funds	(14,186)	-	(14,186)
Increase (decrease) in liabilities:			
Deferred revenue	-	-	-
Due to other funds	(4,990)	-	(4,990)
Net cash provided by (used in) operating activities	\$ -	\$ -	\$ -

TOWN OF ELLINGTON
SCHEDULE OF SEWER USAGE CHARGES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2005

GRAND LIST YEAR	UNCOLLECTED USER CHARGES JUNE 30, 2004 & CURRENT LEVY	LAWFUL CORRECTIONS	USER CHARGES COLLECTIBLE	USER CHARGES	INTEREST	LIEN FEES	TOTAL	REFUNDS	UNCOLLECTED USER CHARGES JUNE 30, 2005
2004	\$ 1,075,452	\$ (26,898)	\$ 1,048,554	\$ 993,675	\$ 4,895	\$ -	\$ 998,570	\$ 193	\$ 55,072
2003	50,828	598	51,426	30,486	3,652	934	35,072	-	20,940
2002	24,444	(43)	24,401	7,230	1,913	936	10,079	-	17,171
2001	12,825	-	12,825	3,828	1,975	432	6,235	-	8,997
2000	8,911	-	8,911	3,479	1,960	347	5,786	-	5,432
1999	4,962	-	4,962	2,280	1,271	207	3,758	-	2,682
1998	2,596	-	2,596	642	382	84	1,108	-	1,954
1997	1,698	-	1,698	358	440	48	846	-	1,340
1996	1,448	-	1,448	377	495	48	920	-	1,071
1995	1,058	-	1,058	368	267	48	683	-	690
1994	688	-	688	-	-	-	-	-	688
1993	696	-	696	-	-	-	-	-	696
1992	740	-	740	-	-	-	-	-	740
1991	700	-	700	-	-	-	-	-	700
1990	537	-	537	-	-	-	-	-	537
	<u>\$ 1,187,583</u>	<u>\$ (26,343)</u>	<u>\$ 1,161,240</u>	<u>\$ 1,042,723</u>	<u>\$ 17,250</u>	<u>\$ 3,084</u>	<u>\$ 1,063,057</u>	<u>\$ 193</u>	<u>\$ 118,710</u>

***Fiduciary
Funds***

TOWN OF ELLINGTON
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2005

	Municipal Land Trust Fund	Public Health Nursing	John T. McKnight	Hall Memorial Library	D.A.R.E.	Senior Center Donation
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 62,723	\$ -	\$ -
Investments	15,755	1,978	22,284	-	7,246	13,865
Due from other funds	-	-	-	-	-	-
Total assets	<u>15,755</u>	<u>1,978</u>	<u>22,284</u>	<u>62,723</u>	<u>7,246</u>	<u>13,865</u>
NET ASSETS						
Held in trust for other purposes	<u>\$ 15,755</u>	<u>\$ 1,978</u>	<u>\$ 22,284</u>	<u>\$ 62,723</u>	<u>\$ 7,246</u>	<u>\$ 13,865</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF FIDUCIARY NET ASSETS (Continued)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2005

	Graduation Fund	Senior Citizen Activity	Hall Memorial Endowment	Hall Memorial Myrtle Eddy	Hall Memorial Moriarty	Open Space	Total Private Purpose Trust Funds
ASSETS							
Cash and cash equivalents	\$ 1,598	\$ 19,152	\$ -	\$ -	\$ -	\$ -	\$ 83,473
Investments	9,720	-	135,204	5,216	10,373	241,032	462,673
Due from other funds	-	-	340	13	26	813	1,192
Total assets	<u>11,318</u>	<u>19,152</u>	<u>135,544</u>	<u>5,229</u>	<u>10,399</u>	<u>241,845</u>	<u>547,338</u>
NET ASSETS							
Held in trust for other purposes	<u>\$ 11,318</u>	<u>\$ 19,152</u>	<u>\$ 135,544</u>	<u>\$ 5,229</u>	<u>\$ 10,399</u>	<u>\$ 241,845</u>	<u>\$ 547,338</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Municipal Land Trust Fund	Public Health Nursing	John T. McKnight	Hall Memorial Library	D.A.R.E.	Senior Center Donation
ADDITIONS						
Private donations	\$ -	\$ -	\$ -	\$ 34,763	\$ -	\$ 3,305
Other income	-	-	-	18,584	-	-
Total contributions	-	-	-	53,347	-	3,305
Investment earnings:						
Interest	282	35	398	234	156	204
Net increase in the fair value of investments	-	-	-	-	-	-
Total investment earnings	282	35	398	234	156	204
Total additions	282	35	398	53,581	156	3,509
DEDUCTIONS						
Program expenditures	-	-	-	35,663	1,725	500
Total deductions	-	-	-	35,663	1,725	500
Change in net assets	282	35	398	17,918	(1,569)	3,009
Net Assets Held in Trust for Others:						
Beginning	15,473	1,943	21,886	44,805	8,815	10,856
Ending	\$ 15,755	\$ 1,978	\$ 22,284	\$ 62,723	\$ 7,246	\$ 13,865

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (Continued)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Graduation Fund	Senior Citizen Activity	Hall Memorial Endowment	Hall Memorial Myrtle Eddy	Hall Memorial Moriarty	Open Space	Total Private Purpose Trust Funds
ADDITIONS							
Private donations	\$ 41,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,730
Other income	-	40,085	4,034	173	345	75,262	138,483
Total contributions	41,662	40,085	4,034	173	345	75,262	218,213
Investment earnings:							
Interest	174	-	2,426	-	-	3,138	7,047
Net increase in the fair value of investments	-	-	676	26	52	-	754
Total investment earnings	174	-	3,102	26	52	3,138	7,801
Total additions	41,836	40,085	7,136	199	397	78,400	226,014
DEDUCTIONS							
Program expenditures	39,609	36,174	1,602	142	283	-	115,698
Total deductions	39,609	36,174	1,602	142	283	-	115,698
Change in net assets	2,227	3,911	5,534	57	114	78,400	110,316
Net Assets Held in Trust for Others:							
Beginning	9,091	15,241	130,010	5,172	10,285	163,445	437,022
Ending	\$ 11,318	\$ 19,152	\$ 135,544	\$ 5,229	\$ 10,399	\$ 241,845	\$ 547,338

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance,</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2005</u>
CASH AND CASH EQUIVALENTS				
Ellington Center School	\$ 7,421	\$ 15,237	\$ 12,677	\$ 9,981
Ellington High School	82,356	272,640	284,997	69,999
Ellington School Use Activity	32,711	4,699	15,050	22,360
Crystal Lake School	909	6,432	5,988	1,353
Windermere School	28,351	49,019	47,216	30,154
Special Education Preschool Department	17,775	32,317	19,116	30,976
Board of Education Educational Services	1,891	15,147	5,157	11,881
Special Education Petty Cash Reimbursement	516	7,431	7,431	516
Ellington Middle School	35,847	96,282	97,390	34,739
Special Education Account	300	30,241	-	30,541
Petty Cash - High School	502	36	-	538
Petty Cash - BOE	-	125	20	105
INVESTMENTS				
Construction Performance Bonds	75,782	295,635	-	371,417
Total Assets	<u>\$ 284,361</u>	<u>\$ 825,241</u>	<u>\$ 495,042</u>	<u>\$ 614,560</u>
DUE TO OTHERS				
Ellington Center School	\$ 7,421	\$ 15,237	\$ 12,677	\$ 9,981
Ellington High School	82,356	272,640	284,997	69,999
Ellington School Use Activity	32,711	4,699	15,050	22,360
Crystal Lake School	909	6,432	5,988	1,353
Windermere School	28,351	49,019	47,216	30,154
Special Education Preschool Department	17,775	32,317	19,116	30,976
Board of Education Educational Services	1,891	15,147	5,157	11,881
Special Education Petty Cash Reimbursement	516	7,431	7,431	516
Ellington Middle School	35,847	96,282	97,390	34,739
Special Education Account	300	30,241	-	30,541
Petty Cash - BOE	502	36	-	538
Petty Cash - High School	-	125	20	105
Due to Contractors	75,782	295,635	-	371,417
Total Liabilities	<u>\$ 284,361</u>	<u>\$ 825,241</u>	<u>\$ 495,042</u>	<u>\$ 614,560</u>

SINGLE AUDIT SECTION

Federal Single Audit Section

***Federal Internal
Control and
Compliance
Reports***



CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Finance of the
Town of Ellington
Ellington, Connecticut

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut (the "Town") as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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GLASTONBURY

BOSTON

PROVIDENCE

WESTBOROUGH

Members of CCR Advisory Group:

Carlin, Charron & Rosen, LLP; CCR Corporate Revitalization, LLC; CCR Cost Recovery Services, LLC;
CCR Retirement Plan Services, LLP; CCR Technology Services; CCR Wealth Management, LLC

A Founding Member of the Leading Edge Alliance

This report is intended solely for the information and use of the Board of Finance, management of the Town, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Carlin, Chasron & Rosen, LLP

Glastonbury, Connecticut
December 5, 2005



CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Finance of the
Town of Ellington
Ellington, Connecticut

COMPLIANCE

We have audited the compliance of the Town of Ellington, Connecticut (the "Town") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud, that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Finance, management of the Town, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Carlin, Chason & Rosen, LLP

Glastonbury, Connecticut
December 5, 2005

*Schedule of
Expenditures
of Federal
Awards*

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>FEDERAL GRANTOR; PROGRAM TITLE; DESCRIPTION</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State of Connecticut			
Department of Economic and Community Development:			
Small Cities - Rehab - 2002	20030480010520201A	14.219	\$ 199,252
Small Cities Snipsic Village 2002	20030480020520201A	14.219	316,264
Total Department of Housing and Urban Development			<u>515,516</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through State of Connecticut			
Department of Education:			
IDEA - Part B, Section 611	2004-20977	84.027	162,922
IDEA - Part B, Section 611	2005-20977	84.027	84,580
			<u>247,502</u>
IDEA - Part B, Section 619	2004-20983	84.173	7,378
IDEA - Part B, Section 619	2005-20983	84.173	4,587
			<u>11,965</u>
Title IV Safe and Drug Free Schools	2004-20873	84.186	1,915
Title IV Safe and Drug Free Schools	2005-20873	84.186	4,802
			<u>6,717</u>
Title I Improving Basic Programs	2004-20679	84.010	45,872
Title I Improving Basic Programs	2005-20679	84.010	115,923
			<u>161,795</u>
Title VI Innovative Education Strategies	2004-20909	84.298	1,039
Title VI Innovative Education Strategies	2005-20909	84.298	9,949
			<u>10,988</u>
Title II Part D Technology	2004-20826	84.367	3,726
Title II Part A Teachers	2004-20858	84.367	5,329
Title II Part A Teachers	2005-20858	84.367	42,511
			<u>51,566</u>
Total Department of Education			<u>490,533</u>

The accompanying notes are an integral part of this schedule.

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*(Continued)*
FOR THE YEAR ENDED JUNE 30, 2005

<u>FEDERAL GRANTOR; PROGRAM TITLE; DESCRIPTION</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State of Connecticut			
Department of Education:			
National School Lunch Program	-	10.555	\$ 72,915
National School Milk	-	10.555	2,824
			<u>75,739</u>
USDA Commodities	-	10.550	<u>21,772</u>
Total Department of Agriculture			<u>97,511</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through State of Connecticut			
Department of Transportation:			
State and Community Highway Safety	-	20.600	<u>8,779</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of Connecticut Office of Emergency Management:			
FEMA Snow Assistance	-	97.036	38,111
FEMA Emergency Mgmt 04-01-05-6-30-05	-	97.052	<u>520</u>
Total Department of Homeland Security			<u>38,631</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 1,150,970</u>

The accompanying notes are an integral part of this schedule.

TOWN OF ELLINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of the Town of Ellington conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the grant period.

NOTE B - OTHER FEDERAL ASSISTANCE

No other federal assistance was received in the form of loans, loan guarantees or insurance.

Non-cash assistance totaled \$21,772 for the year ended June 30, 2005 and consisted of donated USDA commodities. Such financial assistance is included in the schedule of expenditures of federal awards under federal CFDA number 10.550.

***Federal
Findings and
Questioned
Costs***

TOWN OF ELLINGTON

SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- | | | |
|---|-----------|------------------------|
| <input type="radio"/> Material weakness(es) identified? | _____ Yes | <u>✓</u> No |
| <input type="radio"/> Reportable condition(s) identified not considered to be material weaknesses | _____ Yes | <u>✓</u> None reported |

Noncompliance material to financial statements noted?

_____ Yes ✓ No

FEDERAL AWARDS

Internal control over major programs:

- | | | |
|---|-----------|------------------------|
| <input type="radio"/> Material weakness(es) identified? | _____ Yes | <u>✓</u> No |
| <input type="radio"/> Reportable condition(s) identified not considered to be material weaknesses | _____ Yes | <u>✓</u> None reported |

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

_____ Yes ✓ No

Identification of major programs:

CFDA Number	Name of Federal Program
14.218 / 14.219	Community Development Block Grants/Small Cities Cluster

Dollar threshold used to distinguish between Type A and Type B program: \$300,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

There were no federal findings or questioned costs reported in the Town of Ellington's prior year federal single audit.

State Single Audit Section

***State Internal
Control and
Compliance
Reports***



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Certified Public Accountants and Business Advisors

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Finance of the
Town of Ellington
Ellington, Connecticut

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut (the "Town") as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Finance, management of the Town, the Office of Policy and Management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carlin, Chanson & Rosen, LLP

Glastonbury, Connecticut
December 5, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
THE STATE SINGLE AUDIT ACT**

To the Board of Finance of the
Town of Ellington
Ellington, Connecticut

COMPLIANCE

We have audited the compliance of the Town of Ellington, Connecticut (the "Town") with the types of compliance requirements described in the Office of Policy and Management *Compliance Supplement* to the State Single Audit Act that are applicable to each of its major state programs for the year ended June 30, 2005. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2005.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance the State Single Audit Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Finance, management of the Town, the Office of Policy and Management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carlin, Channon & Rosen, LLP

Glastonbury, Connecticut
December 5, 2005

*Schedule of
Expenditures of
State Financial
Assistance*

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

<u>STATE GRANTOR; PASS-THROUGH GRANTOR; PROGRAM TITLE</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
Non-exempt Programs:		
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
Direct:		
Small Town Economic Assistance Program	12052-ECD46000-42411	\$ 359,172
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	136,413
Property Tax Relief for Totally Disabled	11000-OPM20600-17018	923
Mashantucket Pequot Fund Grant	11000-OPM20100-18010	82,511
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	7,784
Property Tax Relief for Elderly Homeowner - Freeze Program	11000-OPM20600-17021	73,923
Property Tax Relief for Veterans	11000-OPM20600-17024	15,070
Local Capital Improvement Program	12050-OPM20600-40254	162,711
Total Office of Policy and Management		<u>479,335</u>
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grant	12001-DOT57000-17036	107,765
		<u>107,765</u>
DEPARTMENT OF EDUCATION		
Direct:		
State Match	11000-SDE64000-16072	9,076
Youth Service Bureau	11000-SDE64000-17052	14,000
Magnet School Transportation	11000-SDE64000-17057	9,600
Adult Education	11000-SDE64000-17030	12,091
Educational Technology Infrastructure	12052-SDE64000-40312	37,301
Open Choice Program	11000-SDE64000-17053	22,000
Interdistrict Cooperative	11000-SDE64000-17045	36,406
Total Department of Education		<u>140,474</u>
BOARD OF EDUCATION AND SERVICES FOR THE BLIND		
Direct:		
Tuition and Services - Public School Children	11000-ESB65020-12060	28,521
CONNECTICUT STATE LIBRARY		
Direct:		
Connecticard	11000-CSL66051-17010	1,811
State Grants to Free Public Libraries	11000-CSL66051-17003	1,994
Historical Documents Preservation	12060-CSL66094-35150	7,000
Total Connecticut State Library		<u>10,805</u>
STATE COMPTROLLER		
Direct:		
Boat Grant	12027-OSC15910-40211	3,849
Total Non-exempt programs		<u>1,129,921</u>

The accompanying note is an integral part of this schedule.

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

<u>STATE GRANTOR; PASS-THROUGH GRANTOR; PROGRAM TITLE</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
Exempt Programs:		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041	\$ 7,714,956
Public School Transportation	11000-SDE64370-17027	306,870
Excess Cost - Student Based	11000-SDE64370-17047	245,783
Construction Grants	13010-SDE64370-40896	225,400
School Building Project	13010-SDE44370-40901	52,737
		<u>8,545,746</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 9,675,667</u></u>

The accompanying note is an integral part of this schedule.

TOWN OF ELLINGTON
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ellington conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

In accordance with regulations established by the State of Connecticut, Office of Policy and Management (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals, and accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

*Schedule of
State Findings
and Questioned
Costs*

TOWN OF ELLINGTON
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- | | | |
|--|-----------|---|
| <input type="radio"/> Material weakness(es) identified? | _____ Yes | <input checked="" type="checkbox"/> No |
| <input type="radio"/> Reportable condition(s) identified not considered to be material weaknesses? | _____ Yes | <input checked="" type="checkbox"/> None reported |

Noncompliance material to financial statements noted?

_____ Yes ☒ No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

- | | | |
|---|-----------|---|
| <input type="radio"/> Material weakness(es) identified? | _____ Yes | <input checked="" type="checkbox"/> No |
| <input type="radio"/> Reportable condition(s) identified that are not considered to be material weaknesses? | _____ Yes | <input checked="" type="checkbox"/> None reported |

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

_____ Yes ☒ No

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Grant Program Core-CT Number	Expenditures
Department of Economic and Community Development		
Small Town Economic Assistance Program	12052-ECD46000-42411	\$359,172
Office of Policy and Management		
Property Tax Relief for Manufacturing and Equipment	11000-OPM20600-17031	136,413
Local Capital Improvement Program	12050-OPM20600-40254	162,711
Department of Transportation		
Town Aid Road Grant	12001-DOT57000-17036	107,765

TOWN OF ELLINGTON
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (*Continued*)
FOR THE YEAR ENDED JUNE 30, 2005

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER
GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS***

- ☐ We issued a report dated December 5, 2005 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- ☐ Our report on compliance indicated no reportable instances of noncompliance.
- ☐ Our report on internal control over financial reporting indicated no reportable conditions.

**III. FINDINGS AND QUESTIONED COSTS RELATING TO STATE
FINANCIAL ASSISTANCE**

- ☐ No findings or questioned costs are reported relating to state financial assistance programs.